

# **PRINCE ALBERT**

## **MUNICIPALITY**



### **UNAUDITED**

### **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2017**

# PRINCE ALBERT LOCAL MUNICIPALITY

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# PRINCE ALBERT LOCAL MUNICIPALITY

## MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

### COUNCILLORS

Ward	G. Lottering
Ward	M.D. Jaftha
Ward	E. Maans
Ward	S. Piedt
Proportional	L. Jaquet
Proportional	S. Botes
Proportional	R.M. Steyn

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Mr. H Mettler  
Accounting Officer

29 Aug 2017  
\_\_\_\_\_  
Date

# PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## GENERAL INFORMATION

### NATURE OF MUNICIPALITY'S OPERATIONS AND PRINCIPAL ACTIVITIES

Prince Albert Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

### DOMICILE AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Prince Albert Municipality includes the following areas:

*Prince Albert  
Klaarstroom  
Leeu Gamka*

### DEMARCATION CODE

*WC052*

### MUNICIPAL MANAGER

*Mr. H Mettler*

### CHIEF FINANCIAL OFFICER

*Mr. J Neethling*

### REGISTERED OFFICE

*Private Bag X53  
PRINCE ALBERT  
6730*

### AUDITORS

*Office of the Auditor General (WC)*

### PRINCIPLE BANKERS

*ABSA, Prince Albert*

### PRINCIPLE ATTORNEY

*Riaan Coetzee*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

### AUDIT COMMITTEE MEMBERS

*A.B.J. Dippenaar  
S.C. Delpport  
J.C. van Wyk*

**PRINCE ALBERT LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Notes	2017 R	Restated 2016 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>130,312,513</b>	<b>111,757,459</b>
Capital Replacement Reserve	2	1,211,687	1,469,160
Accumulated Surplus		129,100,826	110,288,299
<b>Non-Current Liabilities</b>		<b>24,497,706</b>	<b>23,999,343</b>
Long-term Liabilities	3	61,004	36,251
Long-term Employee benefits	4	5,438,694	4,946,279
Non-Current Provisions	5	18,998,008	19,016,813
<b>Current Liabilities</b>		<b>12,698,558</b>	<b>18,728,544</b>
Consumer deposits	6	432,955	414,906
Current employee benefits	7	1,746,870	1,659,320
Trade and other payables	8	5,074,452	6,178,535
Unspent Conditional Government Grants and Receipts	9	4,527,019	10,438,243
Bank Overdraft	18	847,182	-
Current Portion of Long-term Liabilities	3	70,080	37,531
<b>Total Net Assets and Liabilities</b>		<b>167,508,777</b>	<b>154,485,346</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>132,586,808</b>	<b>122,237,397</b>
Property, Plant and Equipment	11	119,181,177	108,837,915
Investment Property	12	13,286,342	13,288,164
Intangible Assets	13	119,289	111,318
<b>Current Assets</b>		<b>34,921,969</b>	<b>32,247,950</b>
Inventory	14	554,765	470,350
Trade Receivables from exchange transactions	15	1,627,311	1,849,170
Receivables from non-exchange transactions	16	1,349,466	1,189,931
Lease Asset	17	5,494	35,061
VAT Receivable	10	3,126,242	1,955,205
Cash and Cash Equivalents	18	28,258,691	26,748,233
<b>Total Assets</b>		<b>167,508,777</b>	<b>154,485,346</b>

PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 (Actual) R	2016 (Restated) R	Correction of error R	2016 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>67,200,772</b>	<b>48,381,992</b>	-	<b>48,381,992</b>
<b>Taxation Revenue</b>		<b>2,873,491</b>	<b>2,724,986</b>	-	<b>2,724,986</b>
Property taxes	19	2,873,491	2,724,986	-	2,724,986
<b>Transfer Revenue</b>		<b>47,867,755</b>	<b>39,125,439</b>	-	<b>39,125,439</b>
Government Grants and Subsidies - Capital	20	14,816,418	15,039,484	-	15,039,484
Government Grants and Subsidies - Operating	20	33,051,337	24,073,295	-	24,073,295
Public Contributions and Donations		-	12,660	-	12,660
<b>Other Revenue</b>		<b>16,459,526</b>	<b>6,531,567</b>	-	<b>6,531,567</b>
Actuarial Gains	4	73,186	166,006	-	166,006
Contributed assets	11	1,400,000	-	-	-
Fines	21	11,918,600	3,552,490	-	3,552,490
Service in Kind	49	3,067,740	2,813,071	-	2,813,071
<b>Revenue from Exchange Transactions</b>		<b>26,479,330</b>	<b>24,544,449</b>	-	<b>24,544,449</b>
Service Charges	22	20,931,398	18,988,968	-	18,988,968
Rental of Facilities and Equipment		387,545	337,017	-	337,017
Interest Earned - external investments		2,282,808	1,622,432	-	1,622,432
Interest Earned - outstanding debtors		510,251	955,698	-	955,698
Licences and Permits		262,666	264,294	-	264,294
Other Income	23	2,104,661	2,342,688	-	2,342,688
Profit on disposal of Property, Plant and Equipment		-	33,352	-	33,352
<b>Total Revenue</b>		<b>93,680,102</b>	<b>72,926,441</b>	-	<b>72,926,441</b>
<b>EXPENDITURE</b>					
Employee related costs	24	14,116,043	12,994,102	-	12,994,102
Remuneration of Councillors	25	2,626,667	2,585,722	-	2,585,722
Debt Impairment	26	11,581,656	5,783,427	(162,770)	5,620,657
Depreciation and Amortisation	27	5,591,297	2,335,577	18,149	2,353,726
Repairs and Maintenance	28	1,217,131	633,902	-	633,902
Actuarial losses	4	261,030	69,227	-	69,227
Finance Charges	29	1,739,859	862,809	-	862,809
Bulk Purchases	30	7,850,760	7,525,471	-	7,525,471
Contracted services	31	17,237,999	7,705,123	-	7,705,123
General Expenses	32	12,854,667	9,706,405	(120,930)	9,585,475
Loss on disposal of Property, Plant and Equipment		47,942	699,249	-	699,249
<b>Total Expenditure</b>		<b>75,125,051</b>	<b>50,901,014</b>	<b>(265,551)</b>	<b>50,635,463</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>18,555,051</b>	<b>22,025,427</b>	<b>(265,551)</b>	<b>22,290,977</b>

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R
<b>Balance at 1 JULY 2015</b>	-	<b>89,314,296</b>	<b>89,314,296</b>
Correction of error	-	417,737	417,737
<b>Restated Balance at 1 JULY 2015</b>	-	<b>89,732,033</b>	<b>89,732,033</b>
Net Surplus for the year (Restated)	-	22,025,427	22,025,427
Transfer to Capital Replacement Reserve	1,469,160	(1,469,160)	-
<b>Restated Balance at 30 JUNE 2016</b>	<b>1,469,160</b>	<b>110,288,299</b>	<b>111,757,459</b>
Net Surplus for the year	-	18,555,051	18,555,051
Transfer from Capital Replacement Reserve	(257,473)	257,473	-
<b>Balance at 30 JUNE 2017</b>	<b>1,211,687</b>	<b>129,100,823</b>	<b>130,312,510</b>

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	30 JUNE 2017 (Actual) R	30 JUNE 2016 (Restated) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		18,845,865	28,055,577
Government - operating		33,051,337	24,073,295
Government - capital		14,816,418	15,039,484
Interest		2,793,059	2,578,130
<b>Payments</b>			
Suppliers and employees		(51,335,347)	(27,201,128)
Finance charges	29	(1,739,859)	(862,809)
<b>Cash generated by operations</b>	<b>35</b>	<b>16,431,473</b>	<b>41,682,549</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(15,820,796)	(25,984,407)
Disposal of Investment Properties		-	6,692
Purchase of Intangible Assets		(22,753)	(105,410)
<b>Net Cash from Investing Activities</b>		<b>(15,843,549)</b>	<b>(26,083,124)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(74,275)	(75,176)
New loans raised		131,577	74,015
Increase in Consumer Deposits		18,049	20,202
<b>Net Cash from Financing Activities</b>		<b>75,351</b>	<b>19,041</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>663,276</b>	<b>15,618,465</b>
Cash and Cash Equivalents at the beginning of the year		26,748,233	11,129,765
Cash and Cash Equivalents at the end of the year	36	27,411,509	26,748,233
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>663,276</b>	<b>15,618,465</b>



**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	(Variance)	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	28,258,691	8,596,420	19,662,271		229%	Not budgeted for correctly
Consumer debtors	2,976,777	877,577	2,099,200		239%	Not budgeted for correctly
Other Receivables	3,131,736	631,862	2,499,874		396%	Not budgeted for correctly
Inventory	554,765	924,678	(369,913)		-40%	Decrease in inventory due to better controls
<b>Total current assets</b>	<b>34,921,969</b>	<b>11,030,536</b>	<b>23,891,433</b>			
<b>Non current assets</b>						
Investment property	13,286,342	19,495,841	(6,209,499)		-32%	Not budgeted for correctly
Property, plant and equipment	119,181,177	105,859,718	13,321,459		13%	Not budgeted for correctly
Intangible Assets	119,289	68,474	50,815		74%	Trivial
<b>Total non current assets</b>	<b>132,586,808</b>	<b>125,424,033</b>	<b>7,162,775</b>			
<b>TOTAL ASSETS</b>	<b>167,508,777</b>	<b>136,454,569</b>	<b>31,054,208</b>			
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Borrowing	70,080	-	70,080		0%	Not budgeted for correctly
Consumer deposits	432,955	400,918	32,037		8%	Trivial
Trade and other payables	9,601,471	1,235,480	8,365,991		677%	Not budgeted for correctly
Provisions and Employee Benefits	1,746,870	1,628,289	118,581		7%	Trivial
<b>Total current liabilities</b>	<b>12,698,558</b>	<b>3,264,687</b>	<b>9,433,871</b>			
<b>Non current liabilities</b>						
Borrowing	61,004	101,926	(40,922)		-40%	Trivial
Provisions and Employee Benefits	24,436,702	12,576,092	11,860,610		94%	Not budgeted for correctly
<b>Total non current liabilities</b>	<b>24,497,706</b>	<b>12,678,019</b>	<b>11,819,687</b>			
<b>TOTAL LIABILITIES</b>	<b>37,196,264</b>	<b>15,942,705</b>	<b>21,253,559</b>			
<b>NET ASSETS</b>	<b>130,312,513</b>	<b>120,511,864</b>	<b>9,800,649</b>			
<b>COMMUNITY WEALTH</b>						
Accumulated Surplus/(Deficit)	129,100,826	120,511,864	8,588,962			
Capital Replacement Reserve	1,211,687	-	-			
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>130,312,513</b>	<b>120,511,864</b>	<b>9,800,649</b>			

**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R	2017 R	%	Explanations for material variances more than 10% of a specific line item with a minimum of R
	(Approved Budget)	(Adjustments)	(Final Budget)	300,000.00		
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	2,753,005	5,843,414	8,596,420		212%	Not budgeted for correctly
Consumer debtors	877,577	-	877,577		0%	
Other Receivables	631,862	-	631,862		0%	
Inventory	924,678	-	924,678		0%	
<b>Total current assets</b>	<b>5,187,122</b>	<b>5,843,414</b>	<b>11,030,536</b>			
<b>Non current assets</b>						
Investment property	14,995,841	4,500,000	19,495,841			30% increase in investment property incorrectly budgeted for
Property, plant and equipment	100,122,718	5,737,000	105,859,718		6%	Not budgeted for correctly
Intangible Assets	68,474	-	68,474		0%	
<b>Total non current assets</b>	<b>115,187,033</b>	<b>10,237,000</b>	<b>125,424,033</b>			
<b>TOTAL ASSETS</b>	<b>120,374,155</b>	<b>16,080,414</b>	<b>136,454,569</b>			
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Consumer deposits	400,918	-	400,918		0%	
Trade and other payables	1,100,000	135,480	1,235,480		12%	Trivial
Provisions and Employee Benefits	1,628,289	-	1,628,289		0%	
<b>Total current liabilities</b>	<b>3,129,207</b>	<b>135,480</b>	<b>3,264,687</b>			
<b>Non current liabilities</b>						
Borrowing	101,926	-	101,926		0%	
Provisions and Employee Benefits	6,616,891	5,959,201	12,576,092			90% Not budgeted for correctly
<b>Total non current liabilities</b>	<b>6,718,817</b>	<b>5,959,201</b>	<b>12,678,019</b>			
<b>TOTAL LIABILITIES</b>	<b>9,848,024</b>	<b>6,094,681</b>	<b>15,942,705</b>			
<b>NET ASSETS</b>	<b>110,526,131</b>	<b>9,985,733</b>	<b>120,511,864</b>			
<b>COMMUNITY WEALTH</b>						
Accumulated Surplus/(Deficit)	110,526,131	9,985,733	120,511,864			
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>110,526,131</b>	<b>9,985,733</b>	<b>120,511,864</b>			

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	(Variance)	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
	(Actual)	(Final Budget)				
<b>REVENUE BY SOURCE</b>						
Property rates	2,873,491	2,803,000		70,491		3% Trivial.
Service charges	20,931,398	27,065,700		(6,134,302)		-23% Budget includes Indigent subsidies.
Rental of facilities and equipment	387,545	410,500		(22,955)		-6% Trivial.
Interest earned - external investments	2,282,808	1,600,000		682,808		43% Increase in call account balance and late spending of grants.
Interest earned - outstanding debtors	510,251	607,000		(96,749)		-16% Debtors impaired and written off.
Fines	11,918,600	7,012,500		4,906,100		70% Roads works on N1 increased fines.
Licences and permits	262,666	180,000		82,666		46% Trivial.
Government Grants and Subsidies - Operating	33,051,337	14,074,302		18,977,035		135% Not budgeted for correctly.
Other revenue	6,645,587	3,781,000		2,864,587		76% Income for in kind benefits included in other income for budget.
Gains on disposal of PPE	-	-		-		0%
<b>Total Operating Revenue</b>	<b>78,863,684</b>	<b>57,534,002</b>		<b>21,329,682</b>		
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	14,116,043	15,270,469		(1,154,426)		-8% Vacant positions not filled
Remuneration of councillors	2,626,667	2,641,000		(14,333)		-1% Trivial
Debt impairment	11,581,656	2,600,000		8,981,656		345% More debt impaired as budgeted for as well as increase in traffic fines.
Depreciation & asset impairment	5,591,297	2,553,000		3,038,297		119% Depreciation on Landfill site corrected
Finance charges	1,739,859	450,000		1,289,859		287% Increased finance charges on landfill site provision.
Bulk purchases	7,850,760	7,955,000		(104,240)		-1% Changed Eskom tariffs in 2016/2017 and did adjust budget for lower tariffs.
Contracted services	17,237,999	733,000		16,504,999		2252% Change in financial classification of Housing grants.
Other expenditure	14,332,828	24,094,000		(9,761,172)		-41% Repairs and maintenance, and contracted services included under other expenses for budget purposes.
Loss on disposal of PPE	47,942	-		47,942		0% Trivial
<b>Total Operating Expenditure</b>	<b>75,125,051</b>	<b>56,296,469</b>		<b>18,828,582</b>		
Government Grants and Subsidies - Capital	3,738,633	1,237,533		2,501,100		
	14,816,418	30,192,698		(15,376,280)		-51%
<b>Total Operating Expenditure</b>	<b>18,555,051</b>	<b>31,430,231</b>		<b>(12,875,180)</b>		

**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
<b>REVENUE BY SOURCE</b>	<b>(Approved Budget)</b>	<b>(Adjustments)</b>	<b>(Final Budget)</b>		
Property rates	2,913,000	(110,000)	2,803,000	-4%	Trivial
Service charges	28,283,000	(1,217,300)	27,065,700	-4%	Trivial
Rental of facilities and equipment	398,500	12,000	410,500	3%	Trivial
Interest earned - external investments	715,000	885,000	1,600,000		124% Increase in call account balance
Interest earned - outstanding debtors	920,000	(313,000)	607,000	-34%	Impairment on long outstanding debtors performed
Fines	4,012,500	3,000,000	7,012,500	75%	Budgeted for incorrectly
Licences and permits	700,000	(520,000)	180,000	-74%	Budgeted for incorrectly
Government Grants and Subsidies - Operating	31,604,000	(17,529,698)	14,074,302	-55%	Budgeted for incorrectly
Other revenue	3,747,000	34,000	3,781,000	1%	Trivial
<b>Total Operating Revenue</b>	<b>73,293,000</b>	<b>(15,758,998)</b>	<b>57,534,002</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	16,396,284	(1,125,815)	15,270,469	-7%	Trivial
Remuneration of councillors	2,865,000	(224,000)	2,641,000	-8%	Trivial
Debit impairment	2,600,000	-	2,600,000	0%	
Depreciation & asset impairment	2,080,000	473,000	2,553,000	23%	
Finance charges	450,000	-	450,000	0%	
Bulk purchases	9,555,000	(1,600,000)	7,955,000	-17%	Increase in usage
Contracted services	370,000	363,000	733,000	98%	mSCOA implementation started
Other expenditure	19,882,000	4,212,000	24,094,000	21%	Increased funding for projects.
<b>Total Operating Expenditure</b>	<b>54,198,284</b>	<b>2,098,185</b>	<b>56,296,469</b>		
Government Grants and Subsidies - Capital	19,094,716	(17,857,183)	1,237,533		
	18,793,400	11,399,298	30,192,698	61%	
	<b>37,888,116</b>	<b>(6,457,885)</b>	<b>31,430,231</b>		

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	2017 R	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
	(Actual)	(Final Budget)	(Variance)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Ratepayers and other	18,845,865	20,018,029	(1,172,164)			-6% Error on budget
Government - operating	33,051,337	30,581,000	2,470,337			8% Rollover not correctly taken into account
Government - capital	14,816,418	18,758,590	(3,942,172)			-21% Rollover not correctly taken into account
Interest	2,793,059	810,000	1,983,059			245% increase in call account balance
<b>Payments</b>						
Suppliers and Employees	(51,335,347)	(33,356,561)	(17,978,786)			54% Not budgeted for correctly
Finance charges	(1,739,859)	270,000	(2,009,859)			-744% Not budgeted for correctly
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>16,431,473</b>	<b>37,081,058</b>	<b>(20,649,585)</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Disposal of Investment Properties	-	-	-			0% Not material
Purchase of Intangible Assets	(22,753)	-	(22,753)			0% Not material
<b>Payments</b>						
Capital assets	(15,820,792)	(20,529,700)	4,708,908			-23% Not budgeted for correctly
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(15,843,545)</b>	<b>(20,529,700)</b>	<b>4,686,155</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing	131,577	-	131,577			0% Not material
Increase/(decrease) in consumer deposits	18,049	-	18,049			0% Not material
<b>Payments</b>						
Repayment of borrowing	(74,275)	-	(74,275)			0% Not material
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>75,351</b>	<b>-</b>	<b>75,351</b>			
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>663,279</b>	<b>16,551,358</b>	<b>(15,888,079)</b>			
Cash and Cash Equivalents at the beginning of the year	26,748,233	11,540,334	15,207,899			
Cash and Cash Equivalents at the end of the year	27,411,509	28,091,692	(680,183)			

**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R	2017 R	%	2017 R
	(Approved Budget)	(Adjustments)	(Final Budget)			(Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Receipts						
Ratepayers and other	22,555,029	(2,537,000)	20,018,029			
Government - operating	23,530,300	7,050,700	30,581,000	-11%	Error on budget	
Government - capital	7,292,700	11,465,890	18,758,590	30%	Additional grant funding received	
Interest	500,000	310,000	810,000	157%	Additional grant funding received	
Payments				62%	Increase in call account balance	
Suppliers and Employees	(41,396,561)	8,040,000	(33,356,561)	-19%	Not budgeted for correctly	
Finance charges	-	270,000	270,000	0%	Not budgeted for correctly	
	<b>12,481,468</b>	<b>24,599,590</b>	<b>37,081,058</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts						
Capital assets	(10,292,700)	(10,237,000)	(20,529,700)	99%	Additional grant funding received	
Payments	-	-	-			
	<b>(10,292,700)</b>	<b>(10,237,000)</b>	<b>(20,529,700)</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Receipts						
Payments	-	-	-	0%	Not material	
	<b>-</b>	<b>-</b>	<b>-</b>	0%	Not material	
	<b>2,188,768</b>	<b>14,362,590</b>	<b>16,551,358</b>			
Cash and Cash Equivalents at the beginning of the year	564,237	10,976,097	11,540,334			
Cash and Cash Equivalents at the end of the year	2,753,005	25,338,687	28,091,692			

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

##### 1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

##### 1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

the approved and final budget amounts;  
actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts. The municipality shall present an explanation of changes between an approved and final budget, by way of a



**PRINCE ALBERT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

note disclosure in terms of GRAP 24. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R 300,000.00.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<p><b>GRAP 20</b> <b>(Original – June 2011)</b></p>	<p><b>Related Party Disclosure</b> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.  The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p align="center"><b>Unknown</b></p>
<p><b>GRAP 32</b> <b>(Original – Aug 2013)</b></p>	<p><b>Service Concession Arrangements: Grantor</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.  No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p align="center"><b>Unknown</b></p>
<p><b>GRAP 108</b> <b>(Original – Sept 2013)</b></p>	<p><b>Statutory Receivables</b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.  The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p align="center"><b>Unknown</b></p>
<p><b>GRAP 109</b></p>	<p><b>Accounting by Principles and Agents</b> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.  No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p align="center"><b>Unknown</b></p>

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

IGRAP 17	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.9. RESERVES**

**1.9.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

**1.10. LEASES**

**1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.10.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.15. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### ***1.15.1. Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.15.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.4 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.15.5 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.15.6 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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employment contract stipulations as well as previous performance bonus payment trends.

#### **1.15.7 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.15.8 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.16. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### **1.17. PROPERTY, PLANT AND EQUIPMENT**

##### **1.17.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.



PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**1.17.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	3-60	Buildings	100
Pedestrian Malls	30	Specialist vehicles	15
Electricity	3-60	Other vehicles	2-16
Water	3-60	Office equipment	1-30
Sanitation	3-60	Furniture and fittings	7-30
Sewerage	3-60	Watercraft	15
Housing	95	Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	95	Equipment	1-15
Recreation centres	0-95	Other plant and	
Security	5	Equipment	2-30
Halls	20-100	Landfill sites	15
Libraries	95	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	1-15
<b><u>Finance lease assets</u></b>			
Office equipment	1-5		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.17.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.17.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

### **1.18. INTANGIBLE ASSETS**

#### **1.18.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.18.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.18.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	10
Computer Software Licenses	10

#### **1.18.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.18.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.19. INVESTMENT PROPERTY**

**1.19.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.19.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.19.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.19.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010

### **1.20 HERITAGE ASSETS**

#### **1.20.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.20.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.20.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.20.4 *De-recognition*

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### 1.20.5 *Application of deemed cost - Directive 7*

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### 1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

#### 1.21.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.21.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - Cessation, or near cessation, of the demand or need for services provided by the asset.
  - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.



## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.22. INVENTORIES**

##### **1.22.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.22.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.23.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.23.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### **1.23.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.23.3 De-recognition of Financial Instruments**

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### 1.23.4 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### 1.24 **STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.24.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### **1.24.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### **1.24.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.25. REVENUE**

**1.25.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.25.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.



PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### 1.27. UNAUTHORISED EXPENDITURE

**PRINCE ALBERT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### **1.31.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities**

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **1.31.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.31.3 Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### **1.31.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.6 Provisions and Contingent Liabilities**

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.31.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.31.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **1.31.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.31.10 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.31.11 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

**1.31.12 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.34. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.





	2017 R	2016 R
<b>2</b>		
<b>NET ASSET RESERVES</b>		
RESERVES	1,211,687	1,469,160
Contribution to Capital Replacement Reserve	1,469,160	1,469,160
Transfer from capital reserve	(257,473)	
<b>Total Capital Replacement Reserves</b>	<b>1,211,687</b>	<b>1,469,160</b>
<b>3</b>		
<b>LONG-TERM LIABILITIES</b>		
Capitalised Lease Liability - At amortised cost	131,084	73,782
Current Portion transferred to Current Liabilities	70,080	37,531
Capitalised Lease Liability - At amortised cost	70,080	37,531
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>61,004</b>	<b>36,251</b>
The obligations under finance leases are scheduled below:		<b>Minimum lease payments</b>
Amounts payable under finance leases:		
Payable within one year	70,080	37,531
Payable within two to five years	61,004	36,253
	131,084	73,784
<b>Less:</b> Future finance obligations	(12,136)	(9,629)
<b>Present value of lease obligations</b>	<b>118,948</b>	<b>64,155</b>
Leases are secured by property, plant and equipment - Note 11		
<b>4</b>		
<b>EMPLOYEE BENEFITS</b>		
Post Retirement Medical - Refer to Note 4.1	4,360,868	3,823,055
Long Service Awards - Refer to Note 4.2	1,039,579	1,088,395
Ex Gratia Payments - Refer to Note 4.3	38,247	34,829
<b>Total Non-current Employee Benefit Liabilities</b>	<b>5,438,694</b>	<b>4,946,279</b>
<b><u>Post Retirement Medical</u></b>		
Balance 1 July	3,975,887	3,842,068
Contribution for the year	167,570	142,440
Interest Cost	356,148	333,914
Expenditure for the year	(194,985)	(176,807)
Actuarial Loss/(Gain)	260,098	(165,728)
<b>Total post retirement benefits 30 June</b>	<b>4,564,718</b>	<b>3,975,887</b>
<b>Less:</b> Transfer of Current Portion - Note 7	(203,850)	(152,832)
<b>Balance 30 June</b>	<b>4,360,868</b>	<b>3,823,055</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	1,194,073	1,073,337
Contribution for the year	99,992	89,078
Interest Cost	98,048	82,093
Expenditure for the year	(72,535)	(119,662)
Actuarial (Gain)/ Loss	(73,186)	69,227
<b>Total long service 30 June</b>	<b>1,246,392</b>	<b>1,194,073</b>
<b>Less:</b> Transfer of Current Portion - Note 7	(206,813)	(105,678)
<b>Balance 30 June</b>	<b>1,039,579</b>	<b>1,088,395</b>
<b><u>Ex Gratia Payments</u></b>		
Balance 1 July	35,421	36,979
Interest Cost	3,135	3,107
Expenditure for the year	(592)	(4,387)
Actuarial Loss/(Gain)	931	(278)
<b>Total long service 30 June</b>	<b>38,895</b>	<b>35,421</b>
<b>Less:</b> Transfer of Current Portion - Note 7	(648)	(592)
<b>Balance 30 June</b>	<b>38,247</b>	<b>34,829</b>

**EMPLOYEE BENEFITS (CONTINUE)**

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

	2017 R	2016 R
Balance 1 July	5,205,381	4,952,384
Contribution for the year	267,562	231,518
Interest cost	457,331	419,114
Expenditure for the year	(268,112)	(300,856)
Actuarial Loss/(Gain)	187,843	(96,779)
<b>Total employee benefits 30 June</b>	<b>5,850,005</b>	<b>5,205,381</b>
<b>Less:</b> Transfer of Current Portion - Note 7	<b>(411,311)</b>	<b>(259,102)</b>
<b>Balance 30 June</b>	<b>5,438,694</b>	<b>4,946,279</b>

**4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	15	16
In-service (employee) non-members	37	31
Continuation members (e.g. Retirees, widows, orphans)	7	6
<b>Total Members</b>	<b>59</b>	<b>53</b>

The liability in respect of past service has been estimated to be as follows:

In-service members and potential members	1,733,106	1,899,499
Continuation members	2,325,739	1,546,482
<b>Total Liability</b>	<b>4,058,845</b>	<b>3,445,981</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015 R	2014 R	2013 R
In-service members	2,107,493	2,058,733	1,864,350
Continuation members	1,734,575	2,005,110	2,328,634
<b>Total Liability</b>	<b>3,842,068</b>	<b>4,063,843</b>	<b>4,192,984</b>

Experience adjustments were calculated as follows:

	2015 R	2014 R	2013 R
Liabilities: (Gain) / loss	166,000	58,000	32,000
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are experience adjustment figures available since 30 June 2010 to fully comply with GRAP 25

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Samwumed; and  
Keyhealth.

Key actuarial assumptions used:	2017 %	2016 %
<b>i) Rate of interest</b>		
Discount rate	9.60%	9.13%
Health Care Cost Inflation Rate	7.89%	8.22%
Net Effective Discount Rate	1.59%	0.84%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2017 R	2016 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	4,360,868	3,823,055
<b>Net liability</b>	<b>4,360,868</b>	<b>3,823,055</b>
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	3,975,887	3,842,068
Total expenses	328,733	299,547
Current service cost	167,570	142,440
Interest Cost	356,148	333,914
Benefits Paid	(194,985)	(176,807)
Actuarial losses/(gains)	260,098	(165,728)
Present value of fund obligation at the end of the year	4,564,718	3,975,887
<b>Less:</b> Transfer of Current Portion - Note 7	(203,850)	(152,832)
<b>Balance 30 June</b>	<b>4,360,868</b>	<b>3,823,055</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2,239	2,326	4,565	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	2,762	2,564	5,326	17%
Health care inflation	-1%	1,830	2,122	3,952	-13%
Discount Rate	1%	1,839	2,126	3,965	-13%
Discount Rate	-1%	2,758	2,563	5,321	17%
Post-retirement mortality	-1 year	2,313	2,417	4,730	4%
Average retirement age	-1 year	2,433	2,326	4,759	4%
Continuation of membership at retirement	-10%	1,809	2,326	4,135	-9%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		167,600	256,100	423,700	
Health care inflation	1%	211,300	421,600	632,900	49%
Health care inflation	-1%	134,100	304,000	438,100	3%
Discount Rate	1%	135,800	338,200	474,000	12%
Discount Rate	-1%	209,400	375,500	584,900	38%
Post-retirement mortality	-1 year	173,400	37,800	211,200	-50%
Average retirement age	-1 year	176,700	367,500	544,200	28%
Continuation of membership at retirement	-10%	133,600	314,800	448,400	6%

**4.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

47	47
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Key actuarial assumptions used:

%	%
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**i) Rate of interest**

Discount rate	8.38%	8.58%
General Salary Inflation (long-term)	6.20%	7.24%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%	1.25%

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	1,039,579	1,088,395
<b>Net liability</b>	<b>1,039,579</b>	<b>1,088,395</b>

The municipality performed their first actuarial valuation on 30 June 2015. Thus there are no experience adjustment figures available to fully comply with GRAP 25

**Reconciliation of present value of fund obligation:**

	2017 R	2016 R
Present value of fund obligation at the beginning of the year	1,194,073	1,073,337
Total expenses	125,505	51,509
Current service cost	99,992	89,078
Interest Cost	98,048	82,093
Benefits Paid	(72,535)	(119,662)
Actuarial (gains)/losses	(73,186)	69,227
Present value of fund obligation at the end of the year	1,246,392	1,194,073
<b>Less:</b> Transfer of Current Portion - Note 7	(206,813)	(105,678)
<b>Balance 30 June</b>	<b>1,039,579</b>	<b>1,088,395</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability (R)	% change
Central assumptions		1,246,000	
General salary inflation	1%	1,325,000	6%
General salary inflation	-1%	1,176,000	-6%
Discount Rate	1%	1,174,000	-6%
Discount Rate	-1%	1,328,000	7%
Average retirement age	-2 yrs	1,075,000	-14%
Average retirement age	2 yrs	1,414,000	13%
Withdrawal rates	-50%	1,473,000	18%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central assumptions		100,000	98,000	198,000	
General salary inflation	1%	108,000	104,900	212,900	8%
General salary inflation	-1%	92,900	91,800	184,700	-7%
Discount Rate	1%	93,500	102,200	195,700	-1%
Discount Rate	-1%	107,400	93,100	200,500	1%
Average retirement age	-2 yrs	89,600	84,700	174,300	-12%
Average retirement age	2 yrs	110,000	111,600	221,600	12%
Withdrawal rates	-50%	126,000	116,900	242,900	23%

**4.3 Ex Gratia Payments**

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex Gratia Payments

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate

	2017 R	2016 R
	7	7
	%	%
	8.85%	8.92%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

**Net liability**

The municipality performed their first actuarial valuation on 30 June 2015. Thus there are no experience adjustment figures available to fully comply with GRAP 25

**Reconciliation of present value of fund obligation:**

	2017 R	2016 R
Present value of fund obligation at the beginning of the year	35,421	36,979
Total expenses	2,543	(1,280)
Interest Cost	3,135	3,107
Benefits Paid	(592)	(4,387)
Actuarial losses/(gains)	931	(278)
Present value of fund obligation at the end of the year	38,895	35,421
<b>Less:</b> Transfer of Current Portion - Note 7	(648)	(592)
<b>Balance 30 June</b>	<b>38,247</b>	<b>34,829</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability (R)	% change
Central assumptions		38,895	
Discount rate	1%	37,497	-4%
Discount rate	-1%	40,395	4%
Average retirement age	-1 yrs	42,113	8%

  

Assumption	Change	Interest Cost (R)	Total (R)	% change
Central assumptions		3,135	3,135	
Discount rate	1%	3,332	3,332	6%
Discount rate	-1%	2,917	2,917	-7%
Average retirement age	-1 yrs	3,399	3,399	8%

**4.4 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in an sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).

**CAPE JOINT RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 118% (30 June 2014 - 101.7%).

**DEFINED CONTRIBUTION PLANS**

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2017 R	2016 R
Contributions paid recognised in the Statement of Financial Performance	1,236,613	1,071,789

**5 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	18,998,008	19,016,813
<b>Total Non-current Provisions</b>	<b>18,998,008</b>	<b>19,016,813</b>

**Landfill Sites**

Balance 1 July	19,016,813	7,869,843
Increase/(decrease) in provision	(18,805)	11,146,970
<b>Total provision 30 June</b>	<b>18,998,008</b>	<b>19,016,813</b>
<b>Balance 30 June</b>	<b>18,998,008</b>	<b>19,016,813</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No provision for current portion is made due to fact that no amount were budgeted for rehabilitation. Currently there is no fixed date for rehabilitation of the landfill sites.

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m <sup>2</sup> )	24440m <sup>2</sup>	13860m <sup>2</sup>	5210m <sup>2</sup>

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2017</u>	<u>Cost of rehabilitation 2016</u>
Prince Albert	2019	9,298,986	9,237,735
Leeu Gamka	2020	6,250,900	6,542,503
Klaarstroom	2035	3,448,122	3,236,575
		<u>18,998,008</u>	<u>19,016,813</u>

6 CONSUMER DEPOSITS

	<u>2017 R</u>	<u>2016 R</u>
Electricity	257,003	261,309
Rent	7,488	7,488
Water	168,464	146,109
<b>Total Consumer Deposits</b>	<u>432,955</u>	<u>414,906</u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u>-</u>	<u>-</u>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	411,311	259,102
Staff Leave	879,312	967,123
Bonuses	456,247	433,095
<b>Total Current Employee Benefits</b>	<u>1,746,870</u>	<u>1,659,320</u>

The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year	967,123	1,140,734
Contribution to current portion	192,098	(54,852)
Expenditure incurred	(279,909)	(118,759)
Balance at end of year	<u>879,312</u>	<u>967,123</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement of the provision by a third party

**Bonuses**

Balance at beginning of year	433,095	431,440
Contribution to current portion	23,152	1,655
Balance at end of year	<u>456,247</u>	<u>433,095</u>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

<b>8</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>
	Trade Payables	3,889,572	5,204,975
	Debtors with credit balances	481,811	380,865
	Retentions	691,862	582,067
	Other	3,207	6,241
	Payments received in advance	-	387
	Sundry Deposits	8,000	4,000
	<b>Total Trade Payables</b>	<b><u>5,074,452</u></b>	<b><u>6,178,535</u></b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

<b>9</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	<b>Unspent Grants</b>	4,527,019	10,438,243
	National Government Grants	1,231,470	5,190,594
	Provincial Government Grants	3,295,549	5,247,648
	<b>Less: Unpaid Grants</b>	-	-
	<b>Total Conditional Grants and Receipts</b>	<b><u>4,527,019</u></b>	<b><u>10,438,243</u></b>

<b>10</b>	<b>TAXES</b>		
	<b>10.1 VAT PAYABLE</b>		
	VAT output on exchange receivables	190,230	75,037
	Total Vat payable	<u>190,230</u>	<u>75,037</u>
	<b>10.2 VAT RECEIVABLE</b>		
	VAT input on Trade payables	(2,749,477)	(1,212,677)
	VAT Control	(566,998)	(817,565)
	Total VAT receivable	<u>(3,316,475)</u>	<u>(2,030,242)</u>
	<b>10.3 NET VAT RECEIVABLE</b>	<u>(3,126,245)</u>	<u>(1,955,205)</u>

VAT is receivable/payable on the cash basis.





11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Opening Balance		Work in Progress		Transfers		Correction of Error		Cost		Additions		Work in Progress		Disposals		Closing Balance		Accumulated Impairments		Accumulated Depreciation		Correction of Errors		Opening Balance		Disposals		Closing Balance		Carrying Value	
	Normal	Work in Progress	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	5,525,247	-	-	-	-	74,780	-	-	-	5,600,027	2,012,972	-	2,012,972	-	-	-	-	2,012,972	-	-	-	20,323	-	-	127,907	-	-	148,230	-	3,438,824		
Land	3,572,349	-	-	-	-	-	-	-	-	3,572,349	1,544,885	-	1,544,885	-	-	-	-	1,544,885	-	-	-	20,323	-	-	127,907	-	-	148,230	-	2,027,464		
Buildings	1,952,898	-	-	-	-	74,780	-	-	-	2,027,678	468,087	-	468,087	-	-	-	-	468,087	-	-	-	-	-	-	-	-	-	-	-	1,411,360		
<b>Infrastructure</b>	74,525,458	13,428,421	-	-	-	21,302,499	-	-	-	100,008,872	100,008,872	-	-	-	-	-	-	-	-	-	-	2,082,943	-	-	11,192,227	-	-	13,234,337	-	86,774,534		
Main: Roads	25,774,060	356,942	-	-	-	269,364	-	-	-	26,390,366	26,390,366	-	-	-	-	-	-	-	-	-	-	618,634	-	-	3,949,252	-	-	4,567,885	-	24,064,505		
Main: Traffic Management	20,149,643	7,496,865	-	-	-	9,196,063	-	-	-	29,336,006	29,336,006	-	-	-	-	-	-	-	-	-	-	722,751	-	-	2,049,189	-	-	2,771,941	-	26,564,965		
Main: Electricity	3,002,617	4,381,538	-	-	-	5,575,163	-	-	-	8,562,242	8,562,242	-	-	-	-	-	-	-	-	-	-	78,922	-	-	1,319,780	-	-	1,387,870	-	7,174,372		
Main: Water	25,315,037	1,213,076	-	-	-	5,999,554	-	-	-	32,922,079	32,922,079	-	-	-	-	-	-	-	-	-	-	657,726	-	-	3,618,783	-	-	4,276,509	-	28,645,569		
Main: Other	292,801	-	-	-	-	262,354	-	-	-	555,256	555,256	-	-	-	-	-	-	-	-	-	-	4,910	-	-	225,132	-	-	230,132	-	325,123		
<b>Community Assets</b>	13,477,927	2,172,643	-	-	-	5,377,092	-	-	-	18,855,019	18,855,019	-	-	-	-	-	-	-	-	-	-	86,662	-	-	385,514	-	-	475,175	-	18,379,843		
Recreation Grounds	5,444,833	2,172,643	-	-	-	5,377,092	-	-	-	10,821,975	10,821,975	-	-	-	-	-	-	-	-	-	-	7,753	-	-	16,097	-	-	23,850	-	10,798,125		
Community Halls	5,667,643	-	-	-	-	-	-	-	-	5,666,943	5,666,943	-	-	-	-	-	-	-	-	-	-	57,462	-	-	206,197	-	-	263,659	-	5,403,284		
Libraries	1,177,450	-	-	-	-	-	-	-	-	1,177,450	1,177,450	-	-	-	-	-	-	-	-	-	-	12,437	-	-	83,036	-	-	95,473	-	1,081,977		
Cemeteries	51,650	-	-	-	-	-	-	-	-	51,650	51,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,650	-	51,650		
Museum	1,137,000	-	-	-	-	-	-	-	-	1,137,000	1,137,000	-	-	-	-	-	-	-	-	-	-	12,009	-	-	80,184	-	-	92,193	-	1,044,807		
<b>Lease Assets</b>	264,018	-	-	-	-	131,577	-	-	-	255,037	255,037	-	-	-	-	-	-	-	-	-	-	57,905	-	-	138,824	-	-	91,240	-	163,797		
Office Equipment	264,018	-	-	-	-	131,577	-	-	-	255,037	255,037	-	-	-	-	-	-	-	-	-	-	57,905	-	-	138,824	-	-	91,240	-	163,797		
<b>Capitalised Restoration Costs</b>	11,737,403	-	-	-	-	-	-	-	-	10,482,505	10,482,505	4,265	(48,246)	-	-	-	-	-	-	-	-	2,986,675	-	-	795,212	-	-	3,781,887	-	6,744,599		
Landfill Site	11,737,403	-	-	-	-	-	-	-	-	10,482,505	10,482,505	4,265	(48,246)	-	-	-	-	-	-	-	-	2,986,675	-	-	795,212	-	-	3,781,887	-	6,744,599		
<b>Other Assets</b>	4,950,444	-	-	-	-	1,891,213	-	-	-	6,618,070	6,618,070	225,111	-	-	-	-	-	-	-	-	-	339,258	-	-	2,391,514	-	-	2,713,380	-	3,679,579		
Motor Vehicles	1,171,655	-	-	-	-	-	-	-	-	1,171,655	49,538	-	-	-	-	-	-	-	-	-	-	95,564	-	-	399,937	-	-	495,520	-	626,586		
Plant and Equipment	670,128	-	-	-	-	61,832	-	-	-	731,959	353,645	-	-	-	-	-	-	-	-	-	-	44,614	-	-	771,347	-	-	398,459	-	333,501		
Furniture and Office Equipment	1,216,404	-	-	-	-	122,542	-	-	-	1,338,561	1,338,561	-	-	-	-	-	-	-	-	-	-	40,486	-	-	449,095	-	-	811,471	-	527,091		
Computer Equipment	826,433	-	-	-	-	106,839	-	-	-	910,070	910,070	-	-	-	-	-	-	-	-	-	-	49,412	-	-	417,391	-	-	481,376	-	428,694		
Specialised Vehicles	1,065,824	-	-	-	-	1,400,000	-	-	-	2,465,824	175,573	-	-	-	-	-	-	-	-	-	-	109,163	-	-	417,391	-	-	526,554	-	1,763,698		
<b>Total</b>	110,480,466	15,001,065	-	-	-	28,577,160	-	-	-	141,819,528	141,819,528	2,242,348	(46,246)	-	-	-	-	-	-	-	-	5,576,766	-	-	15,001,288	-	-	20,444,249	-	118,181,177		

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30 JUNE 2016

Reconciliation of Carrying Value

	Opening Balance		Work in Progress		Transfers		Correction of Error		Additions		Work in Progress		Disposals		Closing Balance		Accumulated Impairments		Accumulated Depreciation		Correction of Errors		Disposals		Closing Balance		Carrying Value	
	Normal	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	5,492,185	-	33,062	-	-	-	-	-	5,525,247	2,012,972	-	108,263	-	-	19,644	-	-	-	-	-	-	-	-	-	-	127,907	-	3,384,368
Land	3,572,349	-	-	-	-	-	-	-	3,572,349	1,544,885	-	108,263	-	-	19,644	-	-	-	-	-	-	-	-	-	-	127,907	-	2,027,464
Buildings	1,919,836	-	-	-	-	-	-	-	1,952,898	468,087	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,356,904	
<b>Infrastructure</b>	56,389,420	18,315,004	(6,263,292)	(9,053,254)	19,518,728	10,429,093	-	-	87,953,880	10,885,183	-	10,885,183	-	-	1,839,033	(761,889)	-	-	-	-	-	-	-	-	-	11,162,227	-	76,791,653
Main Roads	14,100,905	11,302,279	(2,000,000)	(9,053,254)	11,673,155	107,917	-	-	26,131,002	3,609,437	-	3,609,437	-	-	339,814	-	-	-	-	-	-	-	-	-	-	-	3,949,252	22,181,751
Main Waste Management	14,666,271	5,146,473	(4,110,210)	-	6,834,352	6,460,601	-	-	27,637,708	1,888,168	-	1,888,168	-	-	903,648	(742,628)	-	-	-	-	-	-	-	-	-	-	2,049,189	25,886,519
Main Electricity	2,751,771	1,713,170	-	-	250,847	2,648,368	-	-	7,264,156	1,261,674	-	1,261,674	-	-	58,108	-	-	-	-	-	-	-	-	-	-	-	1,319,780	6,044,376
Main Water	24,577,572	153,082	(153,082)	-	760,373	1,213,076	-	-	26,526,113	3,100,680	-	3,100,680	-	-	557,465	(19,362)	-	-	-	-	-	-	-	-	-	-	3,618,783	22,909,330
Main Other	292,901	-	-	-	-	-	-	-	292,901	225,223	-	225,223	-	-	-	-	-	-	-	-	-	-	-	-	-	225,223	67,678	
<b>Community Assets</b>	13,477,927	2,040,099	-	-	-	132,544	-	-	15,650,570	281,553	-	281,553	-	-	103,960	-	-	-	-	-	-	-	-	-	-	385,514	15,265,056	
Recreation Grounds	5,444,883	2,040,099	-	-	-	132,544	-	-	7,617,527	13,862	-	13,862	-	-	2,235	-	-	-	-	-	-	-	-	-	-	16,007	7,601,430	
Community Halls	5,666,943	-	-	-	-	-	-	-	5,666,943	127,137	-	127,137	-	-	79,081	-	-	-	-	-	-	-	-	-	-	206,197	5,860,746	
Libraries	1,177,450	-	-	-	-	-	-	-	1,177,450	71,506	-	71,506	-	-	11,530	-	-	-	-	-	-	-	-	-	-	83,036	1,094,414	
Cemetery	51,650	-	-	-	-	-	-	-	51,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,650	
Museum	1,137,000	-	-	-	-	-	-	-	1,137,000	69,049	-	69,049	-	-	11,134	-	-	-	-	-	-	-	-	-	-	80,184	1,056,816	
<b>Lease Assets</b>	280,075	-	-	-	74,015	-	-	-	284,018	158,324	-	158,324	-	-	35,538	(63,039)	-	-	-	-	-	-	-	-	-	138,824	125,194	
Office Equipment	280,075	-	-	-	74,015	-	-	-	284,018	158,324	-	158,324	-	-	35,538	(63,039)	-	-	-	-	-	-	-	-	-	138,824	125,194	
<b>Capitalised Restoration Costs</b>	1,024,461	-	-	-	10,712,942	-	-	-	11,737,403	9,584	-	9,584	-	-	4,265	(5,319)	-	-	-	-	-	-	-	-	-	795,212	10,937,626	
Landfill Site	1,024,461	-	-	-	10,712,942	-	-	-	11,737,403	9,584	-	9,584	-	-	4,265	(5,319)	-	-	-	-	-	-	-	-	-	795,212	10,937,626	
<b>Other Assets</b>	4,733,680	-	-	-	394,381	-	-	-	4,950,444	225,111	-	2,686,814	(403,894)	-	253,942	(155,147)	-	-	-	-	-	-	-	-	-	795,212	10,037,626	
Motor Vehicles	1,171,655	-	-	-	-	-	-	-	1,171,655	49,538	-	49,538	-	-	88,415	-	-	-	-	-	-	-	-	-	-	399,637	722,180	
Plant and Equipment	412,430	-	-	-	45,543	-	-	-	457,973	492,467	-	492,467	(180,945)	-	49,637	(7,294)	-	-	-	-	-	-	-	-	-	353,845	316,283	
Office Equipment	386,488	-	-	-	-	-	-	-	386,488	262,839	-	262,839	48,863	-	-	-	-	-	-	-	-	-	-	-	-	-	649,327	
Furniture and Office Equipment	726,797	-	-	-	125,541	-	-	-	852,338	743,689	-	743,689	-	-	45,461	(17,803)	-	-	-	-	-	-	-	-	-	771,347	445,057	
Loose Equipment	220,272	-	-	-	-	-	-	-	220,272	60,975	-	60,975	(60,975)	-	-	-	-	-	-	-	-	-	-	-	-	-	449,095	
Computer Equipment	728,704	-	-	-	222,297	-	-	-	951,001	523,212	-	523,212	(206,199)	-	28,141	(13,645)	-	-	-	-	-	-	-	-	-	417,391	472,861	
Specialised Vehicles	1,084,344	-	-	-	-	-	-	-	1,084,344	175,573	-	175,573	-	-	28,141	(13,645)	-	-	-	-	-	-	-	-	-	-	-	
Fire Fighting Equipment	1,991	-	-	-	(1,991)	-	-	-	-	1,538	-	1,538	(1,538)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	81,397,748	20,355,104	(6,263,292)	(9,053,254)	30,733,128	10,562,507	-	-	126,081,561	2,247,667	(5,319)	14,079,042	(403,894)	-	2,296,425	(970,175)	-	-	-	-	-	-	-	-	-	15,001,288	108,837,915	

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**INVESTMENT PROPERTY**

**Net Carrying amount at 1 July**

	2017 R	2016 R
Cost	13,288,164	13,296,642
Accumulated Depreciation	14,432,263	14,438,955
Accumulated Impairment	(12,854)	(11,068)
Depreciation for the year	(1,131,245)	(1,131,245)
Disposal	(1,822)	(1,785)
	-	(6,692)

**Net Carrying amount at 30 June**

Cost	13,286,342	13,288,164
Accumulated Depreciation	14,432,263	14,432,263
Accumulated Impairment	(14,676)	(12,854)
	(1,131,245)	(1,131,245)

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.  
Revenue derived from the rental of investment property.

387,545	337,017
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**INTANGIBLE ASSETS**

**Computer Software**

**Net Carrying amount at 1 July**

	2017	2016
Cost	111,318	48,578
Accumulated Amortisation	130,436	180,180
Disposal	(19,118)	(131,602)

Disposal  
Additions  
Amortisation

(2,474)	(19,046)
22,753	105,410
(12,709)	(23,624)

**Net Carrying amount at 30 June**

Cost	119,289	111,318
Accumulated Amortisation	150,715	130,436
	(31,426)	(19,118)

Description

Remaining Amortisation  
Period

Carrying Value

Microsoft Office and Windows software

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2017 R	2016 R
119,289	111,318

No intangible asset were asessed as having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.



14	INVENTORY	2017 R	2016 R
	Consumable Stores	316,215	227,000
	Library stock	13,200	18,000
	Unsold Properties	219,420	219,420
	Water – at cost	5,930	5,930
	<b>Total Inventory</b>	<b>554,765</b>	<b>470,350</b>

15	TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	1,429,312	1,646,270
	Water	1,908,018	5,871,547
	Refuse	776,074	2,832,836
	Sewerage	916,165	2,991,680
	Fire Services	8,936	-
	Rent	178,805	148,965
	Debtors with credit balances	481,811	380,865
	<b>Total Receivables from Exchange Transactions</b>	<b>5,699,121</b>	<b>13,872,163</b>
	Less: Allowance for Doubtful Debts	(4,071,810)	(12,022,993)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>1,627,311</b>	<b>1,849,170</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)	523,068	490,218
31 - 60 Days	178,390	139,185
61 - 90 Days	105,588	120,205
+ 90 Days	622,266	896,661
<b>Total</b>	<b>1,429,312</b>	<b>1,646,270</b>

**(Water): Ageing**

Current (0 - 30 days)	265,370	262,176
31 - 60 Days	165,183	167,329
61 - 90 Days	164,592	195,186
+ 90 Days	1,312,873	5,246,856
<b>Total</b>	<b>1,908,018</b>	<b>5,871,547</b>

**(Refuse): Ageing**

Current (0 - 30 days)	100,709	130,485
31 - 60 Days	91,924	90,370
61 - 90 Days	65,544	83,506
+ 90 Days	517,897	2,528,475
<b>Total</b>	<b>776,074</b>	<b>2,832,836</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	18,183	65,590
31 - 60 Days	138,240	151,030
61 - 90 Days	102,199	141,645
+ 90 Days	657,544	2,633,415
<b>Total</b>	<b>916,165</b>	<b>2,991,680</b>

**(Other): Ageing**

Current (0 - 30 days)	(40,905)	(36,478)
31 - 60 Days	17,428	17,387
61 - 90 Days	7,257	21,469
+ 90 Days	203,960	146,587
<b>Total</b>	<b>187,741</b>	<b>148,965</b>

**(Total): Ageing**

	2017 R	2016 R
Current (0 - 30 days)	866,425	911,990
31 - 60 Days	591,165	565,302
61 - 90 Days	445,181	562,011
+ 90 Days	3,314,539	11,451,995
<b>Total</b>	<b>5,217,310</b>	<b>13,491,298</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	12,022,993	9,110,999
Written off during the year	(10,000,939)	(188,835)
Contribution to provision	2,049,756	3,100,829
<b>Balance at end of year</b>	<b>4,071,810</b>	<b>12,022,993</b>

**The provision for impairment could be allocated between the different classes of receivables as follows:**

Electricity	596,106	700,396
Water	1,648,630	5,609,186
Refuse	686,664	2,710,830
Sewerage	859,774	2,738,858
Other	280,636	263,724
<b>Balance at end of year</b>	<b>4,071,810</b>	<b>12,022,993</b>

**Summary of impairment by customer classification**

Government	-	-
Commercial	88,445	392,728
Municipal	-	-
Residential	3,693,059	11,416,680
Other	290,306	213,585
<b>Balance at end of year</b>	<b>4,071,810</b>	<b>12,022,993</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

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**OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Rates	892,039	784,221
Other Receivables	21,451,707	10,851,449
Traffic Fines	20,827,096	10,224,741
Other Debtors	624,611	626,708
<b>Total Receivables from Non-Exchange Transactions</b>	<b>22,343,746</b>	<b>11,635,670</b>
Less: Allowance for Doubtful Debts	(20,994,280)	(10,445,739)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>1,349,466</b>	<b>1,189,931</b>

Ageing of Receivables from Non-Exchange Transactions:

**(Rates): Ageing**

Current (0 - 30 days)	(34,768)	(11,033)
31 - 60 Days	39,241	32,325
61 - 90 Days	20,725	22,988
+ 90 Days	866,841	739,941
<b>Total</b>	<b>892,039</b>	<b>784,221</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	10,445,739	7,528,533
Written off during the year	(87,019)	(2,550)
Contribution to provision	10,635,560	2,919,756
<b>Balance at end of year</b>	<b>20,994,280</b>	<b>10,445,739</b>

Concentrations of credit risk with respect to other receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of other receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's other receivables.

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
17	<b>OPERATING LEASE ARRANGEMENTS</b>		
	<b>The Municipality as Lessor (Asset)</b>		
	<b>Balance on 1 July</b>	35,060	54,869
	Movement during the year	(29,567)	(19,809)
	<b>Balance on 30 June</b>	<b>5,493</b>	<b>35,060</b>
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	207,147	249,552
	1 to 5 Years	211,890	223,107
	<b>Total Operating Lease Arrangements</b>	<b>419,037</b>	<b>472,660</b>
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in March 2019		
18	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Call Investments Deposits	26,223,827	23,385,721
	Primary Bank Account	-	2,018,465
	Traffic Bank Account	983,718	1,232,939
	Smart Meter Account	1,048,296	108,258
	Cash Floats	2,850	2,850
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>28,258,691</b>	<b>26,748,233</b>
	<b>Liabilities</b>	<b>2017 R</b>	<b>2016 R</b>
	Primary Bank Account	(847,182)	-
	<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>(847,182)</b>	<b>-</b>
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	A Bank Guarantee is retained for ESKOM by ABSA Bank	9,960	9,960
	The municipality has the following bank accounts:		
	<b>Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):</b>		
	Cash book balance at beginning of year	2,018,465	147,906
	Cash book balance at end of year	(847,182)	2,018,465
	Bank statement balance at beginning of year	2,081,479	783,726
	Bank statement balance at end of year	545,401	2,081,479
	<b>Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):</b>		
	In Abakus the cashbook is combined with the primary bank account	N/A	N/A
	Bank statement balance at beginning of year	1,233,489	623,071
	Bank statement balance at end of year	979,318	1,233,489
	<b>Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):</b>		
	Cash book balance at beginning of year	23,385,721	10,980,159
	Cash book balance at end of year	26,223,827	23,385,721
	Bank statement balance at beginning of year	23,230,619	10,922,552
	Bank statement balance at end of year	26,223,827	23,230,619

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
<b>Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):</b>		
Cash book balance at beginning of year	108,258	-
Cash book balance at end of year	<u>1,048,296</u>	<u>108,258</u>
Bank statement balance at beginning of year	97,316	-
Bank statement balance at end of year	<u>949,681</u>	<u>97,316</u>
19	<b>PROPERTY RATES</b>	
	<b><u>Actual</u></b>	
	<b>Rateable Land and Buildings</b>	
Residential, Commercial Property, State	3,425,808	3,213,810
Less: Rebates	<u>3,425,808</u>	<u>3,213,810</u>
<b>Total Assessment Rates</b>	<u>(552,317)</u>	<u>(488,824)</u>
	<u><b>2,873,491</b></u>	<u><b>2,724,986</b></u>
	<b><u>Valuations - General Valuation 1 July 2012</u></b>	
	<b>Rateable Land and Buildings</b>	
Leeu-Gamka: Land and Buildings	25,345,200	25,345,200
Klaarstroom: Land and Buildings	10,589,900	13,384,900
Prince Albert: Land and Buildings	617,367,700	617,638,700
Rural: Land and Buildings	690,651,100	687,856,100
Welgemoed: Land and Buildings	8,811,500	8,811,500
<b>Total Rateable Valuation</b>	<u><b>1,352,765,400</b></u>	<u><b>1,353,036,400</b></u>

Valuations on land and buildings are performed every four years. The last interim valuation came into effect on 1 July 2015.

	c/R	c/R
<b>Rates:</b>		
Standard property rates excluding agriculture and vacant land		
Agricultural	0.396	0.396
Vacant Land	0.095	0.095
	0.515	0.515

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.



	2017 R	2016 R
<b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>16,192,000</b>	<b>15,247,000</b>
Equitable Share	16,192,000	15,247,000
<b>Conditional Grants</b>	<b>31,675,755</b>	<b>23,865,779</b>
Grants and donations	31,675,755	23,865,779
<b>Total Government Grants and Subsidies</b>	<b>47,867,755</b>	<b>39,112,779</b>
Government Grants and Subsidies - Capital	14,816,418	15,039,484
Government Grants and Subsidies - Operating	33,051,337	24,073,295
	<b>47,867,755</b>	<b>39,112,779</b>
<b>20.1 Equitable share</b>		
Grants received	16,192,000	15,247,000
Conditions met - Operating	(16,192,000)	(15,247,000)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>20.2 Local Government Financial Management Grant (FMG)</b>		
Opening balance	-	-
Grants received	1,625,000	1,600,000
VAT on conditional grants	(165,011)	(3,355)
Conditions met - Operating	(1,459,989)	(1,421,490)
Conditions met - Capital	-	(175,155)
Conditions still to be met	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>20.3 Municipal Systems Improvement Grant</b>		
Opening balance	-	-
Grants received	-	942,000
VAT on conditional grants	-	-
Conditions met - Operating	-	(942,000)
Conditions still to be met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>20.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	2,681,762	-
Grants received	7,212,000	9,466,000
VAT on conditional grants	(1,047,206)	(900,836)
Conditions met - Operating	(349,705)	(373,300)
Conditions met - Capital	(7,765,382)	(5,510,102)
Unspent grant	731,469	2,681,762
The grant was used to upgrade infrastructure in previously disadvantaged areas.		

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>20.5</b>	<b>Housing Grants</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>
	Opening balance	4,747,647	5,813,344
	Grants received	14,203,432	5,000,000
	VAT on conditional grants	(32)	(722,697)
	Conditions met - Operating	(11,338,573)	(242,672)
	Conditions met - Capital	(4,747,615)	(5,100,326)
	Unspent grant	<u>2,864,859</u>	<u>4,747,649</u>
	Housing grants were utilised for upgrading infrastructure, the development of erven and the erection of top structures.		
<b>20.6</b>	<b>Integrated National Electrification Grant</b>		
	Opening balance	-	-
	Grants received	1,000,000	3,000,000
	VAT on conditional grants	(122,485)	(351,632)
	Conditions met - Capital	(877,515)	(2,648,368)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>20.7</b>	<b>Other Grants</b>		
	Opening balance	3,008,832	1,200,000
	Grants received	3,402,000	9,363,124
	VAT on conditional grants	(343,166)	(101,927)
	Conditions met - Operating	(3,711,070)	(5,846,833)
	Conditions met - Capital	(1,425,906)	(1,605,533)
	Conditions still to be met	<u>930,690</u>	<u>3,008,831</u>
	Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
<b>20.8</b>	<b>Total Grants</b>		
	Opening balance	10,438,242	7,013,344
	Grants received	43,634,432	44,618,124
	VAT on conditional grants	(1,677,900)	(2,080,447)
	Conditions met - Operating	(33,051,337)	(24,073,295)
	Conditions met - Capital	(14,816,418)	(15,039,484)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>4,527,019</u>	<u>10,438,242</u>
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	<u>4,527,018</u>	<u>10,438,243</u>
		<u>4,527,018</u>	<u>10,438,243</u>
	No grant funding in terms of the DORA were withheld or delayed		
<b>21</b>	<b>FINES</b>		
	Traffic fines	11,912,450	3,538,740
	Other fines	6,150	13,750
	<b>Total Fines</b>	<u>11,918,600</u>	<u>3,552,490</u>
	<i>Additional information to enable better understandings by user</i>		
	Provision for debt impairment	(9,401,426)	(2,788,646)
	Recoverable fines	<u>2,517,174</u>	<u>763,844</u>
<b>22</b>	<b>SERVICE CHARGES</b>		
	Electricity	13,741,984	12,812,909
	Water	4,667,493	4,061,800
	Refuse removal	2,040,342	1,845,152
	Sewerage and Sanitation Charges	3,487,318	3,104,272
	Less: Rebates	<u>23,937,137</u>	<u>21,824,133</u>
		<u>(3,005,739)</u>	<u>(2,835,165)</u>
	<b>Total Service Charges</b>	<u>20,931,398</u>	<u>18,988,968</u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

23	<b>OTHER INCOME</b>	2017 R	2016 R
	Sundry income	146,826	54,416
	Graveyard	10,496	23,441
	Building plans	94,860	40,818
	Photostats and Faxes	981	2,414
	VAT on Grant	1,677,901	2,127,727
	Fire brigade levies	23,536	-
	Tender Documents	1,316	1,053
	Festival Stall Sales	-	1,228
	Training LGSETA	29,227	23,716
	Refuse Bags	123	138
	Rezoning fees	96,706	52,203
	Library Lost Books And Fines	6,110	4,366
	Valuation Certificates	16,579	11,168
	<b>Total Other Income</b>	<b>2,104,661</b>	<b>2,342,688</b>

Sundry income represents sale of sundry items and fees for items not included under service charges

24	<b>EMPLOYEE RELATED COSTS</b>	2017	2016
	Bonus	726,387	598,168
	Contributions for UIF, pensions and medical aids	1,776,655	1,485,013
	Housing Subsidy	106,256	99,535
	Leave Reserve Fund	192,098	(54,852)
	Increase in Provision for Bonuses	23,152	1,655
	Contribution to provisions	267,561	230,714
	Overtime	597,722	472,927
	Salaries and Wages	9,527,033	9,487,295
	Travel, motor car, telephone, assistance and other allowances	899,179	673,647
	<b>Total Employee Related Costs</b>	<b>14,116,043</b>	<b>12,994,102</b>

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

**Remuneration of the Municipal Manager**

Annual remuneration	901,551	987,534
Car allowance	104,640	104,640
Housing allowance	18,000	18,000
Cell phone allowance	18,000	18,000
Contributions to medical and pension funds	37,782	35,261
<b>Total</b>	<b>1,079,973</b>	<b>1,163,435</b>

**Remuneration of the Director Financial Services**

Annual remuneration	671,007	723,375
Car allowance	96,000	96,000
Cell phone allowance	12,000	12,000
Contributions to medical and pension funds	149,769	139,888
<b>Total</b>	<b>928,776</b>	<b>971,263</b>

**Remuneration of the Director Corporate Services**

Annual remuneration	374,377	391,127
Car allowance	25,416	25,416
Cell phone allowance	12,000	12,000
Contributions to medical and pension funds	67,388	67,606
<b>Total</b>	<b>479,182</b>	<b>496,150</b>

**Remuneration of the Director Technical Services**

Annual remuneration	-	279,646
Car allowance	-	41,571
Cell phone allowance	-	8,000
Contributions to medical and pension funds	-	44,019
<b>Total</b>	<b>-</b>	<b>373,237</b>

Director Technical Services resigned February 2016

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25	<b>REMUNERATION OF COUNCILLORS</b>	2017 R	2016 R
	Mayor	543,412	476,471
	Deputy Mayor	231,345	212,395
	Speaker	425,928	442,907
	Councillors	696,693	663,034
	Car Allowance	527,750	533,400
	Cell phone Allowance	178,245	146,069
	Contributions to medical and pension funds	23,294	111,446
	<b>Total Councillors' Remuneration</b>	<b><u>2,626,667</u></b>	<b><u>2,585,722</u></b>
	<b><i>In-kind Benefits</i></b>		
	The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
	<b>Mayor</b>		
	Annual Remuneration	543,412	476,471
	Car Allowance	153,600	153,600
	Cell phone Allowance	25,778	20,866
	Contributions to medical and pension funds	7,070	80,827
	Total	<b><u>729,859</u></b>	<b><u>731,764</u></b>
	<b>Speaker</b>		
	Annual Remuneration	425,928	442,907
	Car Allowance	122,400	122,400
	Cell phone Allowance	25,777	20,866
	Total	<b><u>574,105</u></b>	<b><u>586,173</u></b>
	<b>Deputy Mayor</b>		
	Annual Remuneration	231,345	212,395
	Car Allowance	62,150	67,800
	Cell phone Allowance	24,600	20,866
	Contributions to medical and pension funds	2,673	30,398
	Total	<b><u>320,768</u></b>	<b><u>331,459</u></b>
	<b>Councillors</b>		
	Annual Remuneration	696,693	663,034
	Car Allowance	189,600	189,600
	Cell phone Allowance	102,090	83,472
	Contributions to medical and pension funds	13,552	-
	Total	<b><u>1,001,936</u></b>	<b><u>936,106</u></b>
26	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 15	1,836,809	2,863,675
	Trade Receivables from non-exchange transactions - Note 16	9,744,847	2,919,752
	<b>Total Contribution to Impairment Provision</b>	<b><u>11,581,656</u></b>	<b><u>5,783,427</u></b>
	<i>Additional information to enable better understanding by user</i>		
	<u>Trade Receivables from exchange transactions</u>		
	Electricity	(44,306)	284,221
	Water	1,082,430	1,449,123
	Refuse	285,245	577,980
	Sewerage	497,308	454,607
	Other	16,132	97,743
		<b><u>1,836,809</u></b>	<b><u>2,863,674</u></b>
	<u>Trade Receivables from non exchange transactions</u>		
	Rates	343,421	131,106
	Traffic Fines	9,401,426	2,788,646
		<b><u>9,744,847</u></b>	<b><u>2,919,752</u></b>

	2017 R	2016 R
<b>27 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	5,576,766	2,310,168
Investment Property	1,822	1,785
Intangible Assets	12,709	23,624
	<u><b>5,591,297</b></u>	<u><b>2,335,577</b></u>
<b>28 REPAIRS AND MAINTENANCE</b>		
Buildings	151,257	78,734
Equipment, furniture and fittings and computers	132,490	112,488
Infrastructure	510,385	119,064
Vehicles	422,999	323,616
	<u><b>1,217,131</b></u>	<u><b>633,902</b></u>
<b>29 FINANCE CHARGES</b>		
Landfill Sites	1,236,093	434,027
Finance leases	15,299	9,668
Post Employment Health	457,331	419,114
Penalties & Interest	31,136	-
<b>Total finance charges</b>	<u><b>1,739,859</b></u>	<u><b>862,809</b></u>
<b>30 BULK PURCHASES</b>		
Electricity	7,850,760	7,525,471
<b>Total Bulk Purchases</b>	<u><b>7,850,760</b></u>	<u><b>7,525,471</b></u>
<b>31 CONTRACTED SERVICES</b>		
Engineering	1,367,756	1,698,790
Electricity	705,346	551,387
Financial, Internal Audit, Risk	2,987,655	4,305,251
Housing construction	11,338,573	180,876
Municipal Standard Chart Of Accounts	838,669	-
IT consulting and software licencing	-	942,000
Other	-	26,819
	<u><b>17,237,999</b></u>	<u><b>7,705,123</b></u>

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

32	GENERAL EXPENSES	2017 R	2016 R
	Advertisements	116,373	74,780
	Audit committee fees	65,557	-
	Audit fees	2,890,951	2,572,243
	Bank charges	183,378	191,203
	Camera fines	1,090,411	65,359
	Cleaning materials	42,550	29,505
	Commission Pre-Paid Electricity	170,588	227,218
	Computer expenses	591,450	-
	Deed of Transfer	11,973	7,912
	Electricity	358,711	318,638
	Electricity Cost of Sales	1,808,018	1,385,979
	Entertainment Cost	42,402	29,870
	EPWP Admin fees	-	48,266
	Festivals	113,041	128,602
	Fuel and oil	460,415	433,969
	Hall rental	1,254	900
	Insurance	179,308	177,291
	Legal Fees	64,497	45,867
	Licences	31,392	71,333
	Local Economic Development	41,370	24,940
	Machine Rental	32,147	8,365
	Material	511,533	92,122
	Membership Fees And Levies	500,913	500,000
	Office Rental Cw's	29,405	19,716
	Postage	111,856	129,981
	Printing And Stationery	163,169	155,790
	Refuse Bags	97,500	84,942
	Remuneration Ward Committees	183,032	154,841
	Security	-	8,400
	Skills Development Levy	117,882	100,356
	Street Lights	84,117	52,635
	Sundry	129,647	124,249
	Telephone And Communication Costs	558,643	524,506
	Tourism Development	115,000	-
	Training	35,456	27,409
	Travel, Accommodation And Subsistence	1,350,714	1,275,726
	Valuation Costs	392,003	27,667
	Water Cost Of Sales	-	313,748
	Water Purification: Chlorine	95,113	82,129
	Water Research: Gouritz	-	31,208
	Water Research: Levy	51,669	31,604
	Workman's Compensation	15,589	99,334
	Wreath And Bouquet	-	266
	General Expenses	<u>12,854,667</u>	<u>9,706,405</u>

33 DISCLOSURE IN TERMS OF MFMA 123 (1) ( c )

Operating grant expenditure per vote

Vote 1 - EXECUTIVE AND COUNCIL	-	-
Vote 2 - DIRECTOR FINANCE	-	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	15,594,906	7,186,625
Vote 4 - DIRECTOR COMMUNITY	97,602	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	111,828	-
	<u>15,804,337</u>	<u>7,186,625</u>

CORRECTION OF ERRORS IN TERMS OF GRAP 3

	2016			2016
STATEMENT OF FINANCIAL POSITION	Previously reported	Adjustments for errors	Reclassification	Restated
Accumulated Surplus/(Deficit)	111,605,274	283,063	(130,878)	111,757,459
Long-term Liabilities	36,251	-	-	36,251
Long-term Employee benefits	4,946,279	-	-	4,946,279
Non-Current Provisions	19,016,813	-	-	19,016,813
Consumer deposits	414,906	-	-	414,906
Current employee benefits	1,659,320	-	-	1,659,320
Trade and other payables	6,151,003	27,532	-	6,178,535
Unspent Conditional Government Grants and Receipts	10,438,243	-	-	10,438,243
Current Portion of Long-term Liabilities	37,531	-	-	37,531
<b>Total Net Assets and Liabilities</b>	<b>154,305,620</b>	<b>310,595</b>	<b>(130,878)</b>	<b>154,485,337</b>
Property, Plant and Equipment	108,402,029	435,886	-	108,837,915
Investment Property	13,288,164	-	-	13,288,164
Intangible Assets	111,318	-	-	111,318
Inventory	470,350	-	-	470,350
Trade Receivables from exchange transactions	1,849,170	-	-	1,849,170
Receivables from non-exchange transactions	1,189,931	-	-	1,189,931
Lease Asset	35,061	-	-	35,061
VAT Receivable	2,211,373	(256,168)	-	1,955,205
Cash and Cash Equivalents	26,748,233	-	-	26,748,233
<b>Total Assets</b>	<b>154,305,627</b>	<b>179,718</b>	<b>-</b>	<b>154,485,347</b>
<b>REVENUE</b>				
Property taxes	2,724,986	-	-	2,724,986
Government Grants and Subsidies - Capital	15,039,484	-	-	15,039,484
Government Grants and Subsidies - Operating	24,073,295	-	-	24,073,295
Public Contributions and Donations	12,660	-	-	12,660
Actuarial Gains	166,006	-	-	166,006
Third Party Payments	-	-	-	-
Fines	3,552,490	-	-	3,552,490
Service in Kind	2,813,071	-	-	2,813,071
Service Charges	18,988,968	-	-	18,988,968
Debt Impairment	-	-	-	-
Rental of Facilities and Equipment	337,017	-	-	337,017
Interest Earned - external investments	1,622,432	-	-	1,622,432
Interest Earned - outstanding debtors	955,698	-	-	955,698
Licences and Permits	264,294	-	-	264,294
Agency Services	-	-	-	-
Other Income	2,342,688	-	-	2,342,688
<b>Total Revenue</b>	<b>72,893,089</b>	<b>-</b>	<b>-</b>	<b>72,893,089</b>
<b>EXPENDITURE</b>				
Employee related costs	12,994,102	-	-	12,994,102
Remuneration of Councillors	2,585,722	-	-	2,585,722
Debt Impairment	5,620,657	162,770	-	5,783,427
Depreciation and Amortisation	2,353,726	(18,149)	-	2,335,577
Repairs and Maintenance	633,902	-	-	633,902
Actuarial losses	69,227	-	-	69,227
Finance Charges	862,809	-	-	862,809
Bulk Purchases	7,525,471	-	-	7,525,471
Contracted services	7,705,123	-	-	7,705,123
General Expenses	9,585,474	120,931	-	9,706,405
Profit/Loss on disposal of Property, Plant and Equipment	699,249	-	-	699,249
<b>Total Expenditure</b>	<b>50,635,463</b>	<b>265,551</b>	<b>-</b>	<b>50,901,014</b>
<b>NET SURPLUS FOR THE YEAR</b>	<b>22,257,626</b>	<b>(265,551)</b>	<b>-</b>	<b>21,992,075</b>

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

34.1	<u>Water rights expense not recognised</u>	<b>Debit</b>	<b>Credit</b>
	Water rights expense not recognised in the correct financial year.		
	The correction entry was		
	General expenses	27,532	
	Trade and other payables		(27,532)
34.2	<u>Portion of VAT on expenses not claimable per the Receiver of Revenue</u>	<b>Debit</b>	<b>Credit</b>
	Portion of VAT on expenses for the 201506 not claimable		
	The correction entry was		
	General expenses	93,398	
	Taxes		(93,398)
34.3	<u>Residual values correction on Property, Plant and Equipment</u>	<b>Debit</b>	<b>Credit</b>
	Residual value correction made in the Asset register that lead to a correction in the Annual Financial Statements		
	The correction entry was		
	Property, Plant and Equipment	417,738	
	Accumulated surplus		(417,738)
34.4	<u>Depreciation correction on other assets</u>	<b>Debit</b>	<b>Credit</b>
	Depreciation correction based on residual corrections made		
	The correction entry was		
	Property, Plant and Equipment	(18,149)	
	Depreciation and Amortisation		18,149
34.5	<u>Unbundled asset incorrectly classified as WIP</u>	<b>Debit</b>	<b>Credit</b>
	Work in progress in the previous financial year should have been unbundled.		
	The correction entry was		
	PPE Infrastructure	9,053,254	
	PPE Infrastructure WIP		(9,053,254)
34.6	<u>Correction on VAT for Debt impairment</u>	<b>Debit</b>	<b>Credit</b>
	VAT treated incorrectly		
	The correction entry was		
	Debt impairment	162,770	
	VAT Provision		(162,770)



	2017 R	2016 R
<b>35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus for the year	18,555,051	22,025,427
<b>Adjustments for:</b>		
Depreciation	5,578,588	2,311,953
Amortisation of Intangible Assets	12,709	23,624
Loss on disposal of PPE	1,302,840	699,249
Contribution to provisions	(18,805)	11,146,970
Contributed PPE	(1,400,000)	-
Debt impairment	11,581,656	5,783,426
Impairment written off	-	-
Operating lease income accrued	29,567	19,809
Service in kind - Revenue	(3,067,740)	(2,813,071)
Service in kind - Expenditure	3,067,740	2,813,071
Operating (Deficit)/Surplus before changes in working capital	35,641,606	42,010,458
Changes in working capital	(19,210,132)	(327,909)
(Decrease)/Increase in Trade and Other Payables	(1,104,083)	2,693,598
(Decrease)/Increase in Unspent Conditional Government Grants and Receipts	(5,911,224)	3,424,899
Increase/(Decrease) in Taxes	(1,171,037)	(1,107,035)
(Increase) in Inventory	(84,415)	(42,067)
(Increase) in Gross Debtors from exchange and non exchange	(11,519,338)	(5,378,345)
Increase in Employee benefits	579,965	81,041
<b>Cash generated by operations</b>	<b>16,431,473</b>	<b>41,682,549</b>
<b>36 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 18	26,223,827	23,385,721
Cash Floats - Note 18	2,850	2,850
Bank - Note 18	2,032,014	3,251,404
<b>Total cash and cash equivalents</b>	<b>28,258,691</b>	<b>26,639,975</b>
<b>37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 36	28,258,691	26,639,975
Less:	28,258,691	26,639,975
Unspent Committed Conditional Grants - Note 9	5,738,706	11,907,403
Capital Replacement Reserve	4,527,019	10,438,243
	1,211,687	1,469,160
<b>Resources available for working capital requirements</b>	<b>22,519,985</b>	<b>14,732,572</b>
<b>38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 3	131,084	73,782
Used to finance property, plant and equipment - at cost	(131,084)	(73,782)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

39

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**39.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	-	48,268,010
Unauthorised expenditure current year - operating	8,042,790	-
Unauthorised expenditure current year - Unspent grants utilised to fund operating expenditure	-	-
Written off by council	-	(48,268,010)
Unauthorised expenditure awaiting authorisation	-	-
	<b>8,042,790</b>	<b>-</b>

Incident	Disciplinary steps/criminal proceedings
Additional Housing grant monies received and spent	None
Provision for traffic fines incorrectly budgeted for	None
Provision for landfill site incorrectly budgeted for	None

2017  
R

2016  
R

	2017 R (Actual)	2017 R (Budget)	2017 R (Unauthorised)
<b>Unauthorised expenditure current year - operating</b>			
Vote 1 - EXECUTIVE AND COUNCIL	5,488,318	5,954,240	-
Vote 2 - DIRECTOR FINANCE	24,454,415	22,996,298	1,458,117
Vote 3 - DIRECTOR CORPORATE	4,122,922	4,739,610	-
Vote 4 - DIRECTOR COMMUNITY	15,280,473	11,571,170	3,709,303
Vote 5 - DIRECTOR TECHNICAL SERVICES	25,778,923	22,903,553	2,875,370
	<b>75,125,050</b>	<b>68,164,871</b>	<b>8,042,790</b>

**Unauthorised expenditure current year - capital**

	2017 R (Actual)	2017 R (Budget)	2017 R (Unauthorised)
Vote 1 - EXECUTIVE AND COUNCIL	-	220,000	-
Vote 2 - DIRECTOR FINANCE	691,033	766,444	-
Vote 3 - DIRECTOR CORPORATE	-	-	-
Vote 4 - DIRECTOR COMMUNITY	1,208,828	1,884,575	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	11,321,497	13,238,581	-
	<b>1,899,861</b>	<b>2,871,019</b>	<b>-</b>

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)**

**39.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	31,136	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	-	-
	<b>31,136</b>	<b>-</b>

Incident	Disciplinary steps/criminal proceedings
Interest & Penalty on late payment of May 2017's VAT account.	None

31,136

**39.3 Irregular expenditure**

Opening balance	222,067	7,016,090
Irregular expenditure current year	-	7,737,360
Written off by council	-	(14,531,383)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	-
	<b>222,067</b>	<b>222,067</b>

Incident	Disciplinary steps/criminal proceedings
Non compliance with SCM during 2015/2016	None

- 7,737,360

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
<b>39.4 Material Losses</b>		
<b>Water distribution losses</b>		
- Kilo litres disinfected/purified/purchased	607,253	779,111
- Kilo litres lost during distribution	92,035	132,669
- Percentage lost during distribution	15,16%	17,03%
- Value of distribution losses	R 264,948	R 170,479
<b>Electricity distribution losses</b>		
- Units purchased (Kwh)	10,544,411	10,731,967
- Units lost during distribution (Kwh)	1,533,655	1,334,798
- Percentage lost during distribution	14,54%	12,44%
- Value of distribution losses	R 1,384,602	R 1,108,350
<b>40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>40.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Opening balance	-	-
Council subscriptions	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>40.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	-	302,815
Current year audit fee	2,890,951	2,572,243
External Audit - Auditor-General	2,890,951	2,572,243
Amount paid - current year	(2,890,951)	(2,572,243)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>40.3 VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	817,565	417,616
VAT inputs	4,019,403	3,789,310
VAT outputs	(3,090,498)	(2,451,937)
Received	(1,179,472)	(937,423)
<b>Closing balance - Receivable</b>	<b>566,998</b>	<b>817,565</b>
Vat control account	<b>566,998</b>	<b>817,565</b>
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
<b>40.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2,630,998	2,580,366
Amount paid - current year	(2,630,998)	(2,580,366)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>40.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1,901,670	1,862,239
Amount paid - current year	(1,901,670)	(1,862,239)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

40.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2017:

	2017 R	2016 R
<b>Total Councillor Arrear Consumer Accounts</b>	<u><u>-</u></u>	<u><u>-</u></u>
A councillor of CKDM was outstanding for more than 90 days		
<b>Councillor</b>	<b>Highest amount outstanding for more than 90 days</b>	
I.J. Windvogel	1,250	
<b>Period</b>	December 2016 to March 2017	

40.7 Deviations from supply chain management policy

Deviations of the Supply Chain Management Regulations were identified on the following categories:

	Sole Supplier	Emergency	Impractical	Total
Deviations from SCM	<u>-</u>	<u>120,500</u>	<u>863,019</u>	<u>983,519</u>

The SCM deviations were noted by Council at it's monthly meetings held.

40.8 Non-compliance with the Municipal Finance Management Act

The municipality did not always pay their payables within the required 30 days.

40.9 Service in State

The following supplier(s) indicated that a family member is in service of the state as required by section 45 of the Supply Chain Management Regulations.

Company name	Related person	Company Capacity	Capacity at State / Municipality	Relationship	State department	Payments
Jan Nel Elektries	Jan Nel	Owner	Teacher	Spouse	WCED	943,871
Aurecon	Various	Various	Various	Various	Various	316,217

41 **CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure excluding VAT:**

Approved and contracted for:

Total commitments consist out of the following:

New Link Road & Associated Stormwater Infrastructure and Sports Fields

This expenditure will be financed from:  
Government Grants

	2017 R	2016 R
Approved and contracted for:	<u>2,396,256</u>	<u>6,310,218</u>
Total commitments consist out of the following:		
New Link Road & Associated Stormwater Infrastructure and Sports Fields	<u>2,396,256</u>	<u>-</u>
	<u>-</u>	<u>6,310,218</u>
	<u><b>2,396,256</b></u>	<u><b>6,310,218</b></u>
This expenditure will be financed from:		
Government Grants	<u>2,396,256</u>	<u>6,310,218</u>
	<u><b>2,396,256</b></u>	<u><b>6,310,218</b></u>

**FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest earning deposits, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2017 R	2016 R
1% (2016 - 1%) Increase in interest rates	272,776	266,716
0.5% (2016 - 0.5%) Decrease in interest rates	(136,388)	(133,358)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

Exchange Debtors

Electricity	12.85%	523,068	4.08%	490,218
Water	6.52%	265,370	2.18%	262,176
Refuse	2.47%	100,709	1.09%	130,485
Sewerage	0.45%	18,183	0.55%	65,590
Other	-1.00%	(40,905)	-0.30%	(36,478)
	<u>21.28%</u>	<u>866,425</u>	<u>7.59%</u>	<u>911,990</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 %	2017 R	2016 %	2016 R
<u>Exchange Debtors</u>				
Electricity	14.64%	596,106	5.83%	700,396
Water	40.49%	1,648,630	46.65%	5,609,186
Refuse	16.86%	686,664	22.55%	2,710,830
Sewerage	21.12%	859,774	22.78%	2,738,858
Other	6.89%	280,636	3.22%	263,724
	<u>100.00%</u>	<u>4,071,810</u>	<u>100%</u>	<u>12,022,993</u>

The provision for bad debts could be allocated between the different categories of debtors as follows:

Government	0.00%	-	0.00%	-
Commercial	2.17%	88,445	3.27%	392,728
Municipal	0.00%	-	0.00%	-
Residential	90.70%	3,693,059	94.96%	11,416,680
Other	7.13%	290,306	1.78%	213,585
	<u>100.00%</u>	<u>4,071,810</u>	<u>100%</u>	<u>12,022,993</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2017 R	2016 R
Financial assets exposed to credit risk at year end are as follows:		
Trade receivables and other receivables	2,976,777	3,039,101
Cash and Cash Equivalents	28,258,691	26,748,233
	<u>31,235,468</u>	<u>29,787,334</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2017</b>				
Long Term liabilities	79,406	63,815	-	-
Capital repayments	70,080	61,004	-	-
Interest	9,326	2,810	-	-
Trade and Other Payables	5,074,452	-	-	-
Unspent conditional government grants and receipts	4,527,019	-	-	-
Cash and Cash Equivalents	847,182	-	-	-
	<u>10,528,059</u>	<u>63,815</u>	<u>-</u>	<u>-</u>
<b>2016</b>				
Long Term liabilities	43,931	39,480	-	-
Capital repayments	37,531	36,251	-	-
Interest	6,400	3,229	-	-
Trade and Other Payables	6,178,535	-	-	-
Unspent conditional government grants and receipts	10,438,243	-	-	-
	<u>16,660,709</u>	<u>39,480</u>	<u>-</u>	<u>-</u>

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**FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:  
The fair value of financial instruments approximates the amortised costs as reflected below.

		2017 R	2016 R
<b>43.1 Financial Assets</b>	<b>Classification</b>		
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	1,627,311	1,849,170
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	26,223,827	23,385,721
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	983,718	3,251,404
Cash Floats and Advances	Financial instruments at amortised cost	2,850	2,850
		<u>28,837,706</u>	<u>28,489,145</u>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Financial instruments at amortised cost		28,837,706	28,489,145
<b>At amortised cost</b>		<u>28,837,706</u>	<u>28,489,145</u>

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
43.2	<b>Financial Liability</b>		
	<b>Classification</b>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	61,004	36,251
	<b>Trade Payables</b>		
	Trade creditors	3,889,572	5,204,975
	Debtors with credit balances	481,811	380,865
	Retentions	691,862	582,067
	Deposits	8,000	4,000
	<b>Current Portion of Long-term Liabilities</b>		
	Capitalised Lease Liability	70,080	37,531
		<u>5,202,329</u>	<u>6,245,689</u>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<u>5,202,329</u>	<u>6,245,689</u>
44	<b>STATUTORY RECEIVABLES</b>		
	<b>Taxes</b>		
	VAT receivable	<u>3,126,245</u>	<u>1,955,205</u>
	<b>Other receivables for non exchange transactions</b>		
	Rates	892,039	784,221
	Traffic fines	20,827,096	10,224,741
		<u>21,719,135</u>	<u>11,008,962</u>
45	<b>EVENTS AFTER THE REPORTING DATE</b>		
	The municipality has no events after reporting date during the financial year ended 2016/2017.		
46	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
47	<b>CONTINGENT LIABILITY</b>		
	No contingent liabilities at year end.		
48	<b>RELATED PARTIES</b>		
48.1	<b>Related Parties</b>		
		<b>Outstanding balances on municipal accounts</b>	
	<b>Councillors</b>		
	G. Lottering	-	303
	S. Botes	-	604
	L. Jaquet	-	-
	M.D. Jaftha	-	-
	S. Piedt	-	-
	E. Maans	-	-
	R. Steyn	-	-
	N.S. Abrahams	-	-
	I.J. Windvogel	-	244
		1,250	541
		<u>1,250</u>	<u>1,691</u>
	<b>Key Management</b>		
	H.F.W. Mettler	-	-
	J.D. Neethling	-	-
	A. Vorster	-	-

Please note not all related parties have municipal accounts



	2017	2016
	R	R
<b>48.2 Related Party Transactions</b>		
The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
<b>48.3 Related Party Loans</b>		
No loans were granted to councillors or senior management employees.		
<b>48.4 Compensation of key management personnel</b>		
The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.		
<b>48.5 Other related party transactions</b>		
The following purchases were made during the year where Councillors or staff have an interest:		
<i>None</i>		
<b>49 SERVICE IN KIND</b>		
<i>As per GRAP 23 par 99-107 the following transactions are regarded as service in kind</i>		
<i>Johan Pieterse - MISA (Municipal Infrastructure Support Agency) advisor</i>	1,018,051	776,694
<i>The auditor General - Audit fees over and above 1% contributed by National Treasury</i>	2,049,690	2,036,376
<b>Total</b>	3,067,740	2,813,071



**APPENDIX A - Unaudited  
PRINCE ALBERT LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Balance at 30 JUNE 2016</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2017</b>
<b>ANNUITY LOANS</b>			-		-
<b>Total Annuity Loans</b>		-	-	-	-
<b>LEASE LIABILITY</b>					
7 Tablets - new		11,317		11,317	-
Minolta B283		899		899	-
Minolta B501		1,741		1,741	-
Minolta B287		-	48,218	23,571	24,647
Minolta B554E		-	83,359	13,444	69,915
Minolta Bizhub C284E		59,825	-	23,302	36,523
<b>TOTAL EXTERNAL LOANS</b>		<b>73,782</b>	<b>131,577</b>	<b>74,275</b>	<b>131,084</b>

**APPENDIX B - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance	Correction	Balance	Grants	Capital	Operating	VAT	Balance
	30 JUNE 2016	of error	30 JUNE 2016	Received	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	Recognised	30 June 2017
	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS</b>								
<b>National Government Grants</b>								
Equitable Share	-	-	-	16,192,000	-	16,192,000	-	-
Local Government Financial Management Grant	-	-	-	1,625,000	-	1,459,989	165,011	-
Municipal Infrastructure Grant	2,681,762	-	2,681,762	7,212,000	7,765,382	349,705	1,047,206	731,469
EPWP	-	-	-	1,000,000	-	1,000,000	-	-
Integrated National Electrification Program	-	-	-	1,000,000	877,515	-	122,485	-
<b>Total National Government Grants</b>	<b>2,681,762</b>	<b>-</b>	<b>2,681,762</b>	<b>27,029,000</b>	<b>8,642,897</b>	<b>19,001,694</b>	<b>1,334,702</b>	<b>731,469</b>
<b>Provincial Government Grants</b>								
Sport & Recreation	-	-	-	-	-	-	-	-
Financial Management Improvement Grant	2,508,832	-	2,508,832	-	1,312,476	869,070	327,286	-
CDW	-	-	-	75,000	-	75,000	-	-
Thusong Centre	-	-	-	-	-	-	-	-
Roads Maintenance	-	-	-	-	-	-	-	-
Housing Beneficiaries	-	-	-	14,203,432	-	11,338,573	-	2,864,859
Accelerated housing	4,747,647	-	4,747,647	-	4,747,615	-	32	-
Infrastructure support grant	-	-	-	-	-	-	-	-
Performance management grant	-	-	-	-	-	-	-	-
Ignite Compliance Model	-	-	-	-	-	-	-	-
Miscoa Grant	-	-	-	220,000	-	220,000	-	-
Drought Relief	500,000	-	500,000	-	113,430	-	15,880	370,690
Additional Drought relief for Boreholes	-	-	-	500,000	-	-	-	500,000
Internship recruitment	-	-	-	180,000	-	120,000	-	60,000
Library Grant	-	-	-	1,427,000	-	1,427,000	-	-
<b>Total Provincial Government Grants</b>	<b>7,756,479</b>	<b>-</b>	<b>7,756,479</b>	<b>16,605,432</b>	<b>6,173,521</b>	<b>14,049,643</b>	<b>343,198</b>	<b>3,795,549</b>
<b>Total</b>	<b>10,438,241</b>	<b>-</b>	<b>10,438,241</b>	<b>43,634,432</b>	<b>14,816,418</b>	<b>33,051,337</b>	<b>1,677,900</b>	<b>4,527,018</b>

**APPENDIX C(1) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2016/2017						2015/2016	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue - Standard</b>								
<i><b>Governance and administration</b></i>	<b>35,611</b>	<b>2,633</b>	<b>38,244</b>	<b>47,585</b>	<b>9,341</b>	<b>124.4%</b>	<b>133.6%</b>	<b>36,700</b>
Executive and council	2,718	1,000	3,718	3,727	9	100.2%	137.1%	2,277
Budget and treasury office	31,876	1,586	33,462	42,677	9,215	127.5%	133.9%	33,070
Corporate services	1,017	47	1,064	1,181	117	111.0%	116.1%	1,354
<i><b>Community and public safety</b></i>	<b>7,438</b>	<b>2,471</b>	<b>9,909</b>	<b>14,892</b>	<b>4,982</b>	<b>150.3%</b>	<b>200.2%</b>	<b>6,531</b>
Community and social services	2,186	(9)	2,177	2,154	(22)	99.0%	98.6%	2,181
Sport and recreation	283	-	283	283	-	100.0%	100.0%	283
Public safety	4,970	2,480	7,450	12,455	5,005	167.2%	250.6%	4,068
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>	<b>2,027</b>	<b>-</b>	<b>2,027</b>	<b>2,990</b>	<b>963</b>	<b>147.5%</b>	<b>147.5%</b>	<b>2,475</b>
Planning and development	300	-	300	300	-	100.0%	100.0%	-
Road transport	1,727	-	1,727	2,690	963	155.8%	155.8%	2,475
Environmental protection	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>	<b>28,218</b>	<b>9,329</b>	<b>37,547</b>	<b>28,213</b>	<b>(9,333)</b>	<b>75.1%</b>	<b>100.0%</b>	<b>27,220</b>
Electricity	16,879	(1,350)	15,529	15,998	469	103.0%	94.8%	15,640
Water	4,859	35	4,894	5,048	154	103.2%	103.9%	4,993
Waste water management	4,036	10,580	14,616	4,474	(10,142)	30.6%	110.9%	4,123
Waste management	2,444	64	2,508	2,693	186	107.4%	110.2%	2,464
<i><b>Other</b></i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Standard</b>	<b>73,294</b>	<b>14,433</b>	<b>87,726</b>	<b>93,680</b>	<b>5,954</b>	<b>106.8%</b>	<b>127.8%</b>	<b>72,926</b>
<b>Expenditure - Standard</b>								
<i><b>Governance and administration</b></i>	<b>31,066</b>	<b>1,925</b>	<b>32,991</b>	<b>33,155</b>	<b>164</b>	<b>100.5%</b>	<b>106.7%</b>	<b>21,459</b>
Executive and council	5,895	60	5,955	5,488	(467)	92.2%	93.1%	4,963
Budget and treasury office	21,027	1,558	22,586	23,662	1,076	104.8%	112.5%	13,376
Corporate services	4,144	306	4,450	4,005	(445)	90.0%	96.7%	3,119
<i><b>Community and public safety</b></i>	<b>9,046</b>	<b>2,524</b>	<b>11,570</b>	<b>15,280</b>	<b>3,710</b>	<b>132.1%</b>	<b>168.9%</b>	<b>6,725</b>
Community and social services	2,912	243	3,155	2,726	(429)	86.4%	93.6%	2,110
Sport and recreation	991	(288)	702	465	(237)	66.3%	47.0%	342
Public safety	5,143	2,570	7,713	12,089	4,376	156.7%	235.1%	4,273
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>	<b>4,004</b>	<b>218</b>	<b>4,222</b>	<b>5,311</b>	<b>1,090</b>	<b>125.8%</b>	<b>132.6%</b>	<b>5,311</b>
Planning and development	499	(210)	290	118	(172)	40.6%	23.5%	275
Road transport	3,505	427	3,932	5,194	1,262	132.1%	148.2%	5,036
Environmental protection	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>	<b>20,473</b>	<b>(1,091)</b>	<b>19,382</b>	<b>21,378</b>	<b>1,996</b>	<b>110.3%</b>	<b>104.4%</b>	<b>17,406</b>
Electricity	13,396	(1,927)	11,469	10,775	(695)	93.9%	80.4%	10,119
Water	2,575	531	3,106	3,012	(94)	97.0%	117.0%	2,787
Waste water management	2,666	289	2,955	2,238	(716)	75.8%	84.0%	2,612
Waste management	1,836	16	1,852	5,353	3,501	289.0%	291.5%	1,889
<i><b>Other</b></i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure - Standard</b>	<b>64,589</b>	<b>3,576</b>	<b>68,165</b>	<b>75,125</b>	<b>6,960</b>	<b>110.2%</b>	<b>116.3%</b>	<b>50,901</b>
<b>Surplus/(Deficit) for the year</b>	<b>8,705</b>	<b>10,857</b>	<b>19,562</b>	<b>18,555</b>	<b>(1,006)</b>	<b>94.9%</b>	<b>213.2%</b>	<b>22,025</b>

**APPENDIX C(2) - Unaudited  
PRINCE ALBERT LOCAL MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2016/2017							2015/2016
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue by Vote</b>								
Vote 1 - Executive and Council	2,718	1,000	3,718	3,727	9	100.2%	137.1%	2,277
Vote 2 - Director Finance	31,876	1,586	33,462	42,677	9,215	127.5%	133.9%	33,070
Vote 3 - Director Corporate	1,317	47	1,364	1,481	117	108.6%	112.5%	1,342
Vote 4 - Director Community	7,438	2,471	9,909	14,922	5,012	150.6%	200.6%	6,531
Vote 5 - Director Technical Services	29,945	9,329	39,274	30,903				29,706
<b>Total Revenue by Vote</b>	<b>73,294</b>	<b>14,433</b>	<b>87,726</b>	<b>93,710</b>	<b>5,984</b>	<b>106.8%</b>	<b>127.9%</b>	<b>72,926</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive and Council	5,895	60	5,954	5,518	(436)	92.7%	93.6%	4,963
Vote 2 - Director Finance	21,027	1,969	22,996	24,454	1,458	106.3%	116.3%	14,429
Vote 3 - Director Corporate	4,643	97	4,740	4,123	(617)	87.0%	88.8%	3,395
Vote 4 - Director Community	9,047	2,524	11,571	15,280	3,709	132.1%	168.9%	6,725
Vote 5 - Director Technical Services	23,978	(1,075)	22,904	25,779	2,875	112.6%	107.5%	21,389
<b>Total Expenditure by Vote</b>	<b>64,590</b>	<b>3,575</b>	<b>68,165</b>	<b>75,155</b>	<b>6,990</b>	<b>110.3%</b>	<b>116.4%</b>	<b>50,901</b>
<b>Surplus/(Deficit) for the year</b>	<b>8,704</b>	<b>10,858</b>	<b>19,562</b>	<b>18,555</b>	<b>(1,006)</b>	<b>94.9%</b>	<b>213.2%</b>	<b>22,025</b>

**APPENDIX C(3) - Unaudited  
PRINCE ALBERT LOCAL MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
REVENUE AND EXPENDITURE**

Description	2016/2017							2015/2016
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	2,913	(110)	2,803	2,873	70	102.5%	98.6%	2,725
Service charges	28,283	(1,217)	27,066	20,931	(6,134)	77.3%	74.0%	18,989
Rental of facilities and equipment	399	12	411	388	(23)	94.4%	97.3%	337
Interest earned - external investments	715	885	1,600	2,283	683	142.7%	319.3%	1,622
Interest earned - outstanding debtors	920	(313)	607	510	(97)	84.1%	55.5%	956
Fines	4,013	3,000	7,013	11,919	4,906	170.0%	297.0%	3,552
Licences and permits	700	(520)	180	263	83	145.9%	37.5%	264
Contributed assets	-	-	-	1,400	1,400	#DIV/0!	#DIV/0!	-
Transfers recognised - operating	31,604	(17,530)	14,074	33,051	18,977	234.8%	104.6%	24,073
Other revenue	3,747	34	3,781	5,246	1,465	138.7%	140.0%	5,334
Gains on disposal of PPE	-	-	-	-	-	-	-	33
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>73,293</b>	<b>(15,759)</b>	<b>57,534</b>	<b>78,864</b>	<b>21,330</b>	<b>-365.1%</b>	<b>107.6%</b>	<b>57,887</b>
<b>Expenditure By Type</b>								
Employee related costs	16,396	(1,126)	15,270	14,116	(1,154)	92.4%	86.1%	12,994
Remuneration of councillors	2,865	(224)	2,641	2,627	(14)	99.5%	91.7%	2,586
Debt impairment	2,600	-	2,600	11,582	8,982	445.4%	445.4%	5,783
Depreciation & asset impairment	2,080	473	2,553	5,591	3,038	219.0%	268.8%	2,336
Finance charges	450	-	450	1,740	1,290	386.6%	386.6%	863
Bulk purchases	9,555	(1,600)	7,955	7,851	(104)	98.7%	82.2%	7,525
Other materials	-	-	-	-	-	-	-	-
Contracted services	370	363	733	17,238	16,505	2351.7%	4658.9%	7,705
Transfers and grants	-	-	-	-	-	-	-	-
General Expenses	19,882	4,212	24,094	14,333	(9,761)	59.5%	72.1%	10,410
Loss on disposal of PPE	-	-	-	48	48	#DIV/0!	#DIV/0!	699
<b>Total Expenditure</b>	<b>54,198</b>	<b>2,098</b>	<b>56,296</b>	<b>75,125</b>	<b>18,829</b>	<b>2683.1%</b>	<b>138.6%</b>	<b>50,901</b>
<b>Surplus/(Deficit)</b>	<b>19,095</b>	<b>(17,857)</b>	<b>1,238</b>	<b>3,739</b>	<b>2,501</b>	<b>302.1%</b>	<b>19.6%</b>	<b>6,986</b>
Transfers recognised - capital	18,793	11,399	30,193	14,816	(15,376)	49.1%	78.8%	15,039
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>37,888</b>	<b>(6,458)</b>	<b>31,430</b>	<b>18,555</b>	<b>(12,875)</b>	<b>59.0%</b>	<b>49.0%</b>	<b>22,025</b>

**APPENDIX C(4) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description	2016/2017							2015/2016 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.i.o MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>R thousand</b>								
<b>Capital expenditure - Vote</b>								
<b>Single-year expenditure</b>								
Vote 1 - Executive and Council	-	200	200	-	(200)	-	-	-
Vote 2 - Director Finance	-	320	320	691	371	215.9%	#DIV/0!	197
Vote 3 - Director Corporate	-	893	893	-	(893)	-	-	-
Vote 4 - Director Community	2,664	11,897	14,561	1,209	(13,352)	8.3%	45.4%	121
Vote 5 - Director Technical Services	6,037	8,183	14,220	11,321	(2,899)	79.6%	187.5%	14,921
<b>Capital single-year expenditure</b>	<b>8,701</b>	<b>21,493</b>	<b>30,194</b>	<b>13,221</b>	<b>(16,973)</b>	<b>44%</b>	<b>152%</b>	<b>15,239</b>
<b>Total Capital Expenditure - Vote</b>	<b>8,701</b>	<b>21,493</b>	<b>30,194</b>	<b>13,221</b>	<b>(16,973)</b>	<b>44%</b>	<b>152%</b>	<b>15,239</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>		<b>1,199</b>	<b>1,199</b>	<b>1,280</b>	<b>82</b>	<b>106.8%</b>	<b>#DIV/0!</b>	<b>887</b>
Executive and council	-	200	200	-	(200)	-	-	-
Budget and treasury office	-	320	320	1,280	960	400.1%	#DIV/0!	868
Corporate services	-	679	679	-	(679)	-	-	19
<b>Community and public safety</b>	<b>2,664</b>	<b>11,897</b>	<b>14,561</b>	<b>2,621</b>	<b>(11,940)</b>	<b>18.0%</b>	<b>98.4%</b>	<b>634</b>
Community and social services	450	(150)	300	1,209	909	402.9%	268.6%	121
Sport and recreation	2,214	1,955	4,169	1,412	(2,757)	33.9%	63.8%	332
Public safety	-	-	-	-	-	-	-	182
Housing	-	10,092	10,092	-	(10,092)	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1,886</b>	<b>910</b>	<b>2,796</b>	<b>269</b>	<b>(2,527)</b>	<b>9.6%</b>	<b>14.3%</b>	<b>700</b>
Planning and development	-	214	214	-	(214)	-	-	6
Road transport	1,886	696	2,582	269	(2,313)	10.4%	14.3%	694
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>4,151</b>	<b>7,487</b>	<b>11,637</b>	<b>11,046</b>	<b>(591)</b>	<b>94.9%</b>	<b>266.1%</b>	<b>13,150</b>
Electricity	1,000	534	1,534	878	(656)	57.2%	87.8%	2,658
Water	858	3,746	4,604	2,841	(1,764)	61.7%	331.0%	2,114
Waste water management	2,293	2,821	5,114	7,328	2,214	143.3%	319.6%	8,358
Waste management	-	386	386	-	(386)	-	-	20
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>8,701</b>	<b>21,492</b>	<b>30,194</b>	<b>15,217</b>	<b>(14,977)</b>	<b>50%</b>	<b>175%</b>	<b>15,372</b>
<b>Funded by:</b>								
National Government	7,951	18,296	26,247	8,643	(17,605)	32.9%	108.7%	8,334
Provincial Government	-	2,510	2,510	6,174	3,664	246.0%	#DIV/0!	6,706
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>7,951</b>	<b>20,806</b>	<b>28,757</b>	<b>14,816</b>	<b>(13,941)</b>	<b>52%</b>	<b>186%</b>	<b>15,039</b>
<b>Public contributions &amp; donations</b>	<b>450</b>	<b>986</b>	<b>1,436</b>	<b>-</b>	<b>(1,436)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>300</b>	<b>(300)</b>	<b>-</b>	<b>(1,595)</b>	<b>(1,595)</b>	<b>#DIV/0!</b>	<b>-531.7%</b>	<b>200</b>
<b>Total Capital Funding</b>	<b>8,701</b>	<b>21,492</b>	<b>30,193</b>	<b>13,221</b>	<b>(16,972)</b>	<b>44%</b>	<b>152%</b>	<b>15,239</b>



**APPENDIX C - Unaudited  
PRINCE ALBERT LOCAL MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017  
CASH FLOWS**

Description	2016/2017							2015/2016
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	22,555	(2,537)	20,018	18,846	(1,172)	94.1%	83.6%	28,056
Government - operating	23,530	7,051	30,581	33,051	2,470	108.1%	140.5%	24,073
Government - capital	7,293	11,466	18,759	14,816	(3,942)	79.0%	203.2%	15,039
Interest	500	310	810	2,793	1,983	344.8%	558.6%	2,578
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and employees	(41,397)	8,040	(33,357)	(51,335)	(17,979)	153.9%	124.0%	(27,201)
Finance charges	-	270	270	(1,740)	(2,010)	-644.4%	#DIV/0!	(863)
Transfers and Grants	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>12,481</b>	<b>24,600</b>	<b>37,081</b>	<b>16,431</b>	<b>(20,650)</b>	<b>44.3%</b>	<b>131.6%</b>	<b>41,683</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Purchase of Property, Plant and Equipment	-	-	-	-	(41,299)	-	-	-
Disposal of Investment Properties	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital assets	(10,293)	(10,237)	(20,530)	(15,844)	4,686	77.2%	153.9%	(26,083)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(10,293)</b>	<b>(10,237)</b>	<b>(20,530)</b>	<b>(15,844)</b>	<b>4,686</b>	<b>77.2%</b>	<b>153.9%</b>	<b>(26,083)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	132	132	#DIV/0!	#DIV/0!	74
Increase (decrease) in consumer deposits	-	-	-	18	18	#DIV/0!	#DIV/0!	20
<b>Payments</b>								
Repayment of borrowing	-	-	-	(74)	(74)	#DIV/0!	#DIV/0!	(75)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>75</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>19</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2,189</b>	<b>14,363</b>	<b>16,551</b>	<b>663</b>	<b>(15,888)</b>	<b>4.0%</b>	<b>30.3%</b>	<b>15,618</b>
Cash/cash equivalents at the year begin:	564	10,976	11,540	26,748	15,208	231.8%	4740.6%	11,130
Cash/cash equivalents at the year end:	2,753	25,339	28,092	27,412	(605)	97.6%	995.7%	26,748

APPENDIX D - Unaudited  
PRINCE ALBERT LOCAL MUNICIPALITY  
SCHEDULE OF SCM DEVIATIONS FOR THE YEAR ENDED 30 JUNE 2017

SUPPLIER	GOODS / SERVICES	AMOUNT	REASON
AUTO TECH	Printing of accounts	66,465	Impractical
BETONWERKE	Concrete panels	10,333	Impractical
BRASIKA CONSULTING	Supply chain consulting	8,100	Impractical
DANIELA DE KOCK	Doctor for boarding purposes	4,400	Impractical
DEPARTMENT OF THE PREMIER	Advertisements (only widely circulated newspaper in municipal area that also cover rest of Western Cape)	1,066	Impractical
DEPT LEADERSHIP TRUST	Hall used for community meeting	14,828	Impractical
DIE BURGER	Advertisements (only widely circulated newspaper in municipal area that also cover rest of Western Cape)	35,917	Impractical
DR DS CRONJE	Doctor for injury on duty	9,435	Impractical
EMBROIDT	Embroidery	17,400	Impractical
ERASMUS BANDE	Repairs to vehicles in Leeu Gamka	15,170	Impractical
FN ESTERHUIZEN	Repair	11,344	Impractical
HOME HARDWARE	Only supplier with stock	8,645	Impractical
INTEGRITY CONTROL SYSTEM	Metered box seals	4,200	Impractical
ISHS	Health and Safety Monitoring	13,297	Impractical
JAN NEL ELEKTRIES	Electrical services	246,510	Emergency
KAROO MOTORS WERKSWINKEL	Repairs to vehicles	5,110	Impractical
L BOTHA	Painting of Prince Albert	19,000	Impractical
M BEZUIDENHOUT	Repairs to vehicles	2,500	Impractical
MARAIS MOTORS	Repairs to vehicles	8,224	Impractical
MEDIA 24	Advertisements (only widely circulated newspaper in municipal area that also cover rest of Western Cape)	22,667	Impractical
METSI CHEM IKAPA	Chlorine gas	10,584	Impractical
NATIONAL GARAGE	Fuel purchases (Amount only determined after completion)	9,979	Impractical
ODS CONSULTING	Calculation of senior management increases	11,046	Impractical
ODTSHOORN FORD	Repairs of vehicle	44,208	Impractical
ODTSHOORN GRASNYERS	Repairs of equipment	1,800	Impractical
PALSECURITY & SERVICES	Alarm system	3,202	Impractical
PENNY PINCHERS	Specific Material store	10,039	Impractical
PAY DAY SOFTWARE SYSTEM	Payroll system of the municipality	20,034	Impractical
PIENAAR BROS	Specific Material store	24,425	Impractical
PRINCE ALBERT TOURISM	Prince Albert Museum	2,485	Impractical
S LOURENS	Disiplinary hearings	32,413	Impractical
SOUTH CAPE AUTO	Repairs of vehicle	18,566	Impractical
SPAR PRINCE ALBERT	Grocery store	12,174	Impractical
SS SWEIS EN HERSTEL	Repairs to motor vehicle	99,030	Impractical
SSE EXELCOM	Blue drop audit	15,640	Impractical
SWARTBERG HOTEL	Hotel	8,282	Impractical
UBERTECH	IT support of the Municipality	11,800	Impractical
VGK PRINS ALBERT	Hall used for community meeting	2,720	Impractical
VSR DIGGING	Digging of trenches	110,000	Impractical
WALTONS	The only stationary company that delivers	11,180	Impractical
	<b>Total</b>	<b>983,519</b>	